



STATE OF WASHINGTON  
PUBLIC DISCLOSURE COMMISSION

711 Capitol Way Rm 206, PO Box 40908 \* Olympia, Washington 98504-0908 \* (360) 753-1111 \* Fax (360) 753-1112  
E-mail: [pdcc@pdcc.wa.gov](mailto:pdcc@pdcc.wa.gov) \* Website: [www.pdca.wa.gov](http://www.pdca.wa.gov)

August 13, 2003

STEVE ZEMKE  
2131 N 132<sup>ND</sup> ST  
SEATTLE WA 98133

Subject: Complaint filed against Tim Eyman – PDC Case No. 03-244

Dear Mr. Zemke:

The Public Disclosure Commission staff has completed its investigation of your complaint received on May 19, 2003, alleging that Tim Eyman violated RCW 42.17.040, .080 & .090.

Your complaint was reviewed in light of the following statutes:

**RCW 42.17.040** requires a political committee to register with the PDC if funds are being solicited and expended to support or oppose candidates or ballot propositions.

**RCW 42.17.080 and 42.17.090** require political committees to file frequent and detailed reports of contribution and expenditure activities if funds are being solicited and expended to support or oppose candidates or ballot propositions.

You alleged that Tim Eyman solicited and accepted contributions to a “legal defense fund,” and used some of those funds to perform services in support of statewide ballot measures without registering as a political committee and disclosing the contribution and expenditure activities of a political committee, in violation of RCW 42.17.040, 42.17.080 and 42.17.090. In addition, you alleged that Mr. Eyman benefited personally from expenditures made from the “legal defense fund” in violation of RCW 42.17.125.

We found that:

- Tim Eyman began receiving unsolicited donations in February of 2002 to use for legal-related expenses regarding a PDC investigation in Case No. 02-281, and made an initial deposit of \$395 on March 4, 2002. The funds were deposited into a separate personal savings account that had no activity prior to the March 4th deposit.

- Donations received for “legal defense fund” purposes between the period of March 4, 2002 and August 1, 2003 totaled \$145,817.94. The account earned bank interest of \$510.91, making total receipts and interest \$146,328.85.
- Expenditures totaled \$148,638.27 as of August 1, 2003. The expenditures included legal fees, fines, and costs related to the operation of the “legal defense fund.” This amount includes legal defense related expenditures paid by Mr. Eyman totaling \$2,069.87 for which he has not been reimbursed.
- No evidence was found to indicate that any of the funds solicited were used to pay Mr. Eyman or his family’s personal expenses.
- No evidence was found to indicate that any additional funds have been deposited or transferred into the bank savings account established for the “legal defense fund.”
- No evidence was found to indicate that payments were made to enable Mr. Eyman to spend time assisting or promoting ballot measure campaigns and/or initiatives to the legislature.

After a careful review of the alleged violations and relevant facts, we have concluded our investigation and, with the concurrence of the Chair of the Public Disclosure Commission, I am dismissing your complaint against Tim Eyman.

If you have questions, please contact Phil Stutzman, Director of Compliance, at (360) 664-8853 or toll free at 1-877-601-2828.

Sincerely,

A handwritten signature in black ink, appearing to read "Vicki Rippie", with a stylized flourish at the end.

Vicki Rippie  
Executive Director

c: Tim Eyman



Failed to disclose the contribution and expenditure activities of a political committee in violation of RCW 42.17.040, 42.17.80 and 42.17.090.

- Benefited personally from expenditures made from the “legal defense fund” in violation of RCW 42.17.125.

## II.

### SCOPE

- 2.1 PDC staff reviewed documents and correspondence between the PDC and Mr. Eyman for the period of August 12-15, 2002.
- 2.2 Bank statements, invoices, cancelled checks, and other information including spreadsheets of deposit and expenditure information were delivered to the PDC on June 26, 2003, by Tim Eyman pursuant to a subpoena. The bank statements contained redacted information, which led to a follow-up request for Mr. Eyman to provide un-redacted bank statements. Complete bank statements were subsequently provided by Mr. Eyman, as was an emailed donor list of donations received by the legal defense fund.
- 2.3 On July 15, 2003, PDC staff received an email from Linda and Steve Parry regarding contributions that were “data entered” into a spreadsheet for the “legal defense fund.”
- 2.4 A reconciliation of the donations listed on the spreadsheet was made with the bank statements of the legal defense fund.
- 2.5 As part of this investigation, the following interviews were conducted:
  - On July 31, 2003, David Hawthorne, owner of Hawthorne & Company CPA firm, was interviewed under oath at the Tukwila offices of Washington State Department of Labor and Industries. **See Exhibit #2-transcript of interview.**
  - On July 31, 2003, Tim Eyman was interviewed under oath at the Tukwila offices of Labor and Industries. **See Exhibit #3-transcript of interview.**

- 2.5 Bank statements, invoices, cancelled checks, and other information including spreadsheets of deposit and expenditure information were delivered to the PDC on August 6, 2003, by Tim Eyman pursuant to a request for documentation during the July 31, 2003 interview.

III.

**RELEVANT AREAS OF LAW**

- 3.1 RCW 42.17.020(33) defines a political committee as the following:

**““Political committee” means any person (except a candidate or an individual dealing with his or her own funds or property) having the expectation of receiving contributions or making expenditures in support of, or opposition to, any candidate or any ballot proposition.”**

- 3.2 RCW 42.17.040 states in part, the following:

**“Every political committee, within two weeks after its organization or, within two weeks after the date when it first has the expectation of receiving contributions or making expenditures in any election campaign, whichever is earlier, shall file a statement of organization with the commission.”**

- 3.3 RCW 42.17.080 and RCW 42.17.090, in part:

**Requires political committees to file frequent and detailed reports of contribution and expenditure activities, if the activities support or oppose candidates or ballot propositions.**

IV.

**FINDINGS**

**Legal Defense Fund**

**BACKGROUND:**

- 4.1 On August 7, 2002, the Public Disclosure Commission (PDC) received a copy of a fund raising letter sent from Tim Eyman entitled "Dear Fellow Taxpayer". **See Exhibit #4.** The letter addressed Mr. Eyman's recent press conference in which he touted his successes with the initiative process over the years, and discussed his opponent's opposition to him.
- 4.2 Mr. Eyman went on to discuss his past efforts, and asked if his supporters appreciated those efforts, to encourage him to continue those efforts by sending monetary gifts to Tim Eyman. At the bottom of the second page of the letter, Mr. Eyman included a disclaimer that gifts made to Tim Eyman are not tax deductible, that the gifts are not political donations so donor information will be anonymous, and the gifts will be used by Tim Eyman to "resolve his current financial challenges."
- 4.3 On August 13, 2002, Tim Eyman sent a facsimile to the PDC regarding the legal defense fund issue. **See Exhibit #5.** Mr. Eyman stated in the facsimile that the voluntary donations he received would be used to help him offset the costs of legal fees regarding PDC Case No. 02-281. Mr. Eyman went on to state that if more donations are received than the actual cost of the legal and accounting expenses, and financial penalties, he would not spend those dollars on any activities that support or oppose candidates or ballot propositions.
- 4.4 On August 13, 2002, PDC staff sent a letter to Tim Eyman in response to his inquiries regarding the establishment of a "legal defense fund." **See Exhibit #6.** The letter from PDC staff informed Mr. Eyman that the financial support sought in his solicitation letter is required to be used solely for the purpose of paying legal expenses.
- 4.5 The letter went on to indicate that none of the funds may be used to pay himself or his family's personal expenses. The letter requested that Mr. Eyman confirm in writing whether all funds received from his solicitations would be used to pay legal expenses, and to indicate whether any of the funds in excess of his legal costs will be used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature.

- 4.6 On August 14, 2002, Tim Eyman sent a facsimile to the PDC regarding the legal defense fund issue. **See Exhibit #7.** Mr. Eyman confirmed in the facsimile that the donations requested in his August 7<sup>th</sup>, 2002 solicitation letter would be paid toward a legal defense fund to help offset legal costs that were accruing. In addition, Mr. Eyman confirmed that if more donations are received than the cost of the legal and accounting expenses, and financial penalties, those funds will not be spent, directly or indirectly, to support or oppose any candidate or ballot measure, or to work on an initiative to the legislature.
- 4.7 On August 14, 2002, PDC staff sent an additional letter to Mr. Eyman in response to his August 13<sup>th</sup> facsimile. **See Exhibit #8.** The letter confirmed in writing, PDC staff's understanding of the facts, and detailed staff's understanding of the facts as follows:
- Any financial support received by Tim Eyman is solely for the purpose of paying legal expenses, and none of the funds will be used to pay his family's personal expenses;
  - All funds received from solicitations to help pay legal expenses will only be used to pay legal expenses;
  - All funds received in excess of legal costs will not be used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature; and
  - If any funds received from solicitations are subsequently used to support or oppose any candidate, ballot measure or initiative to the legislature, the donations raised and spent must be reported to the PDC.
- 4.8 In May 2003, PDC staff received a copy of a letter from Mr. Eyman, in which he continued soliciting donations to a legal defense fund. The letter discussed a recent newspaper article that included a quote from a State Representative saying "Eyman's threats chilled talk of new revenue." The letter also touted his successes with the initiative process and discussed his opponent's opposition to him.
- 4.9 Mr. Eyman went on to discuss his past efforts, and asked if his supporters appreciated those efforts, to encourage him to continue those efforts by sending "voluntary financial gifts" to Tim Eyman. Mr. Eyman included the statement "...your gift is obviously optional, reliably anonymous, and very much appreciated," a disclaimer that gifts made to Tim Eyman are not tax

deductible, that the gifts are not political donations, but instead for a legal defense fund, so donor information will be anonymous.

4.10 On May 19, 2003, Steve Zemke filed a complaint with the PDC against Tim Eyman, initiative consultant and fundraiser. **See Exhibit #1.** In his complaint, Mr. Zemke alleged that Tim Eyman:

- Solicited and accepted contributions to a legal defense fund, and used some of those funds to perform services in support of statewide ballot measures without registering as a political committee, and by not disclosing the contribution and expenditure activities of a political committee in violation of RCW 42.17.040, 42.17.80 and 42.17.090.
- Benefited personally from expenditures made from the “legal defense fund” in violation of RCW 42.17.125.

#### **Donations to the Legal Defense Funds**

- 4.11 During the July 31, 2003 interview under oath, Mr. Eyman indicated that after the February 2002, “45-day letter” and PDC complaint against him had been filed he began receiving unsolicited donations. Mr. Eyman stated that the donors’ intentions were for the funds to be used for legal and other costs related to the PDC investigation being conducted at that time. The legal costs were initially paid for by Permanent Offense, Incorporated (PO, Inc.), a corporation controlled by Tim Eyman at the time the unsolicited donations were initially received. In accordance with the instructions provided to him by the donors, Mr. Eyman stated that the donations were not to be used to support or oppose ballot measures.
- 4.12 David Hawthorne, CPA with Hawthorne and Company, confirmed during his interview under oath that Tim Eyman contacted him in calendar year 2002 and told him that he had been receiving funds personally and wanted to establish a legal defense fund. Mr. Hawthorne said Mr. Eyman told him the legal defense fund would assist with the costs associated with the PDC investigation of PO, Inc. and Tim Eyman in PDC Case No. 02-281. Mr. Hawthorne stated that he instructed Mr. Eyman to deposit the donations into a separate bank account, and to keep track of all the funds received and spent that were associated with the legal defense fund.
- 4.13 Mr. Eyman indicated during his interview under oath that he had an existing personal savings account that had no prior activity. That account was established for the donations received for the legal defense fund. Mr.



Eyman went on to state that he received, deposited and recorded all of the donations relating to the "legal defense fund" himself, and that the donations were mailed directly to his home.

- 4.14 Mr. Hawthorne indicated that Hawthorne and Company only provided advisory services regarding the "legal defense fund", and was not involved at all in the administration of the fund with regard to receiving, depositing or recording donations received for the "legal defense fund." Mr. Hawthorne went on to state that the funds would be treated as personal gifts, and when questioned by Mr. Eyman about the federal tax treatment of the funds, indicated the gifts were not taxable.
- 4.15 As part of the document production pursuant to the subpoena, Mr. Eyman provided a spreadsheet of deposit activity entitled "Voluntary gifts used for Legal Defense Fund (as of 6/12)" that was prepared and maintained by Mr. Eyman. **See Exhibit #9.** The spreadsheet listed the first deposit activity as having occurred on March 4, 2002, for a total of \$395, and the most recent deposit being on June 9, 2003, for a total of \$4,825. According to the deposit totals listed on the spreadsheet, the total contributions received for "legal defense fund" purposes between March 4, 2002-June 12, 2003, was \$130,747.94, and the interest earned totaled \$1,422.20.
- 4.16 Mr. Eyman provided the bank statements for the legal defense fund covering the period March 4, 2002 through June 9, 2003. PDC staff reconciled the legal defense fund deposit information listed on the bank statement with the deposit information provided by Mr. Eyman in the spreadsheet. The reconciliation noted that a \$3,000 deposit on January 7, 2003, had been omitted from the spreadsheet. In addition, the reconciliation noted that a \$971 deposit had been classified as an interest payment on the spreadsheet.
- 4.17 During the interviews conducted on July 31, 2003, Mr. Eyman stated that PO, Inc. had recently been reimbursed by the legal defense fund for the early legal retainer, additional legal fees paid, and accounting services provided on behalf of the legal defense fund. Mr. Eyman went on to state that he had also received a reimbursement check recently from the legal defense fund for fund raising and other costs that he had previously incurred using personal funds. Mr. Eyman was asked to provide additional documentation for the legal defense fund covering the period June 13, 2003-present at the interview. Mr. Eyman provided that information as detailed below.

- 4.18 Based on a request for documentation, Mr. Eyman provided an updated spreadsheet of deposit activity entitled "Voluntary gifts used for Legal Defense Fund (as of 8/1)" that was prepared and maintained by Mr. Eyman on August 6, 2003, along with other documentation. The updated spreadsheet listed the \$3,000 deposit made on January 7, 2003, that had been omitted from the spreadsheet, and reclassified \$971 as a deposit of donations rather than as an interest payment. **See Exhibit #10.**
- 4.19 The updated spreadsheet also included five new deposits that occurred between June 16-July 15, 2003, totaling an additional \$11,099 in donations received by the legal defense fund. According to the deposit totals listed on the updated spreadsheet, the total contributions received for "legal defense fund" purposes between March 4, 2002-August 1, 2003, was \$145,817.94, and interest totaled \$510.91.
- 4.20 Mr. Eyman stated under oath that he has not deposited any donations for the legal defense fund into his personal checking account or any other account, other than the savings account currently being used for "legal defense fund purposes."
- 4.21 Mr. Eyman indicated that if he received funds that were intended by the donor for a ballot measure, or were made out to support a ballot measure, then those checks were forwarded to the political committee, and vice-versa if the political committee received any checks intended for Mr. Eyman's legal defense. In addition, he stated that no funds intended for the political committee were deposited or otherwise diverted into the legal defense fund savings account.
- 4.22 There was no evidence provided by the complainant, and no discrepancies were noted during the investigation, showing that legal defense fund donations were deposited or otherwise diverted into any account other than the savings account set up for the legal defense fund. No evidence was found that the donations received by Mr. Eyman for legal expenses were used for any purpose other than to pay legal expenses. In addition, on July 15, 2003, PDC staff received an email from Linda and Steve Parry regarding contributions that were "data entered" into a spreadsheet for the "legal defense fund." As of June 4, 2003, the spreadsheet listed donations totaling \$127,707.73. The bank statements for the legal defense fund savings account showed that as of June 2, 2003, \$125,912.94 had been deposited into the account.

### Legal Defense-related Expenditures

- 4.23 Mr. Eyman stated that after the February 2002, "45-day letter" of complaint and PDC complaint had been filed he began receiving unsolicited donations from people in support of his legal defense of the PDC investigation that was under way.

The early legal retainer, legal fees and accounting costs that are detailed below were initially paid for by PO, Inc., a corporation controlled by Tim Eyman.

- 4.24 Mr. Eyman provided a spreadsheet of expenditures for legal defense-related activities (as of 6/12) that was prepared and maintained by Mr. Eyman, as part of the document production pursuant to the PDC's subpoena. **See Exhibit #11.** The spreadsheet listed the date, vendor, amount, description, method of payment (check, wire transfer or money order), and who paid for the expenditure (PO Inc., Tim Eyman, or the Defense Fund). In addition, the documentation provided by Mr. Eyman also included invoices, cancelled checks, and bank statements.
- 4.25 Mr. Eyman made personal expenditures for fund raising and other costs related to raising legal defense fund money. He also made expenditures for which the documentation included invoices and cancelled checks or cashier's checks. The personal expenditures made by Tim Eyman and the legal defense fund are detailed in this report below.
- 4.26 During the interviews conducted on July 31, 2003, Mr. Eyman stated that PO, Inc. had recently been reimbursed by the legal defense fund for the early legal retainer, additional legal fees paid, and accounting services provided on behalf of Mr. Eyman's legal defense. Mr. Eyman went on to state that he had also been reimbursed recently by the legal defense fund for fund raising and other costs that he had paid using personal funds.
- 4.27 Mr. Hawthorne also confirmed that PO, Inc. did not receive any revenue during 2003, but had recently been reimbursed by the legal defense fund for legal fees that he thought included the retainer to Appel & Glueck and other legal fees, although he was not aware of the specifics.
- 4.28 Additional bank documentation for the legal defense fund was requested from Tim Eyman at the interview covering the period of June 12, 2003 to present. On August 6, 2003, Mr. Eyman provided an updated spreadsheet of deposit activity entitled "Voluntary gifts used for Legal Defense Fund (as of 8/1)", a spreadsheet listing personal and legal defense fund expenditures that had been paid, and a spreadsheet of

expenditures that had been made from the Legal Defense Fund (as of 8/1/2003). In addition, Mr. Eyman also provided copies of the cashiers checks used to make the most recent expenditures, and the most recent bank statement for the period June 13, 2003 to July 14, 2003 for the legal defense fund.

Payments made to Law Firms/Attorneys for legal services:

- 4.29 A number of expenditures were made to attorneys and law firms for legal fees and retainers that were incurred as a result of the investigation of PDC Case No. 02-281. The expenditures made to attorneys and law firms for legal fees totaled \$59,108.75 covering the period of February 19, 2002-July 26, 2002.
- 4.30 A total of ten expenditures for legal fees were made from the PO, Inc. bank account, nine of them made by check and one by wire transfer. An additional five expenditures for legal fees were paid using money orders from the legal defense fund savings account.
- 4.31 The documentation provided by Mr. Eyman included invoices from law firms, cancelled checks, and bank statements, verifying that \$59,108.75 in expenditures had been made for legal expenses between February 19, 2002-July 15, 2003. The following expenditures were made for legal related services:

<u>Date of Expenditure</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description: How paid</u>
2/19/2002	Appel & Glueck, PC	\$ 25,000.00	Retainer: PO Inc. check
3/31/2002	Livengood, Carter, et al	\$ 4,107.34	Legal Fees: PO Inc. check
4/28/2002	Livengood, Carter, et al	\$ 7,344.60	Legal Fees: PO Inc. check
5/30/2002	Livengood, Carter, et al	\$ 4,636.63	Legal Fees: PO Inc. check
5/30/2002	Livengood, Carter, et al	\$ 2,755.95	Legal Fees: PO Inc. check
5/31/2002	Appel & Glueck, PC	\$ 4,429.91	Legal Fees: PO Inc. check
6/27/2002	Livengood, Carter, et al	\$ 1,904.35	Legal Fees: PO Inc. check
6/27/2002	Appel & Glueck, PC	\$ 3,316.41	Legal Fees: PO Inc. check
7/26/2002	Livengood, Carter, et al	\$ 2,101.50	Legal Fees: PO Inc. check
8/1/2002	Foreman & Archer	\$ 900.00	Legal Fees: Wire transfer, PO Inc. account
10/11/2002	Terry E. Miller, Attorney At Law	\$ 981.75	Legal Fees: Money Order
10/15/2002	Livengood Carter	\$ 859.64	Legal Fees: Money Order
12/11/2002	Terry E. Miller, Attorney At Law	\$ 275.50	Legal Fees: Money Order
2/19/2003	Terry E. Miller, Attorney At Law	\$ 450.00	Legal Fees: Money Order
7/15/2003	Terry E. Miller, Attorney At Law	\$ 45.17	Legal Fees: Money Order

<b>Totals</b>		\$ 59,108.75	
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- 4.32 The documentation provided indicated that all of the payments made to attorneys and law firms were for legal defenses, and were directly related to the PDC investigation of PO, Inc. and Tim Eyman, and the subsequent referral of that case to the Attorney General's Office by the PDC. Mr. Eyman stated that PO, Inc. had recently been reimbursed by the legal defense fund for the early legal retainer, additional legal fees paid and accounting services provided on behalf of the legal defense.
- 4.33 Mr. Eyman provided additional documentation for the legal defense fund on August 6, 2003, that included a spreadsheet of new expenditures that had been made from the Legal Defense Fund (as of 8/1/2003). **See Exhibit #12.** In addition, other documentation included copies of the cashiers checks used to make a \$45.17 expenditure from the legal defense fund to Terry Miller, Attorney at Law, and also included the reimbursement to PO, Inc.
- 4.34 The cashier's check and the spreadsheet prepared and maintained by Mr. Eyman (for the reimbursement only) indicated that the legal defense fund reimbursed or made a \$64,166.84 expenditure to PO, Inc. on July 23, 2003. Mr. Eyman indicated on a spreadsheet that \$56,496.69 of the expenditure was a reimbursement to PO, Inc. for all of the legal fees paid by PO Inc. listed above. The remaining \$7,670.15 of the expenditure was a reimbursement to PO, Inc. for accounting services that are detailed below. **See Exhibit #13.**

Penalties:

- 4.35 On August 2, 2002, the legal defense fund made a \$55,000 expenditure to Mr. Eyman, and the documentation indicated the expenditure was to pay \$55,000 in fines related to PDC Case No. 02-281. On August 12, 2002, Mr. Eyman used the \$55,000 in transferred legal defense funds to purchase the following:
- A \$50,000 money order to pay to Snohomish County Superior Court for the personal portion of the penalties against PO, Inc. and Tim Eyman;
  - A \$5,000 money order to pay to Snohomish County Superior Court for the penalties assessed against Permanent Offense PAC.

<u>Date of Expenditure</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
8/12/2002	Snohomish Co. Superior Court	\$ 50,000.00	Payment of penalties
8/12/2002	Snohomish Co. Superior Court	\$ 5,000.00	Payment of penalties
<b>Totals</b>		<b>\$ 55,000.00</b>	

Accounting Services:

- 4.36 A total of four expenditures detailed below totaling \$9,640.15 have been paid to Hawthorne & Company as of June 12, 2003, for accounting services related to the legal defense fund and to the PDC investigations in Case. No. 02-281 and 03-244. The \$7,670.15 paid to Hawthorne and Company on May 23, 2002, was paid using PO, Inc. funds. The remaining three expenditures to Hawthorne and Company were made using money orders purchased with money from the legal defense fund account.

<u>Date of Expenditure</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
5/23/2002	Hawthorne & Company	\$ 7,670.15	Accounting services paid by PO Inc.
10/15/2002	Hawthorne & Company	\$ 120.00	Accounting services paid by Defense Fund
21/11/2003	Hawthorne & Company	\$ 785.00	Accounting services paid by Defense Fund
6/12/2003	Hawthorne & Company	\$ 1,065.00	Accounting services paid by Defense Fund
<b>Totals</b>		<b>\$ 9,640.15</b>	

- 4.37 Tim Eyman stated that none of the services provided by Hawthorne and Company that were paid for by the legal defense fund included any work for Insignia Corporation or PO, Inc. David Hawthorne confirmed that the services provided by Hawthorne and Company were only related to work done on behalf of the legal defense fund.
- 4.38 A cashier's check and the spreadsheet referred to above that was prepared and maintained by Mr. Eyman, indicated that the legal defense fund reimbursed or made a \$64,166.84 expenditure to PO, Inc. on July 23, 2003. The reimbursement/expenditure included \$7,670.15 as a reimbursement to PO, Inc. for accounting services that were originally paid on May 23, 2002 to Hawthorne and Company.
- 4.39 In addition to the expenditures listed above, a number of expenditures related to legal defense fund activities were paid for using the personal

funds of Mr. Eyman. Other expenditures were paid directly from the legal defense fund.

- 4.40 Tim Eyman provided a spreadsheet that he prepared and maintained of expenditures for legal defense-related activities that were paid for by Mr. Eyman personally, or using legal defense funds. **See Exhibit #14.** The spreadsheet listed the date, vendor, amount, description, method of payment (check, wire transfer or money order), and who paid for the expenditure (Tim Eyman or the Defense Fund). In addition, the documentation provided by Mr. Eyman also included invoices and cancelled checks.
- 4.41 Tim Eyman stated that he received a reimbursement check recently from the legal defense fund for fund raising and other costs that he had previously incurred using personal funds. On August 6, 2003, Mr. Eyman provided PDC staff an updated spreadsheet of other legal defense-related expenditures listing personal and legal defense fund expenditures that had been paid (as of 8/1/2003). **See Exhibit #15.** The documentation indicated that an \$18,022.26 expenditure had been made from the legal defense fund using a cashier's check to reimburse Mr. Eyman for mailing costs and other costs he incurred in 2002 for legal defense-related activities that are detailed below. **See Exhibit #16.**

Rental of Contributor List from Permanent Offense PAC:

- 4.42 On July 17, 2003, Tim Eyman faxed a document dated June 26, 2002, from the legal counsel of Permanent Offense PAC regarding a "legal defense fund solicitation". **See Exhibit #17.** John J. White, Jr., an attorney with the firm Livengood, Carter, Tjossem, Fitzgerald & Alskog, stated the following in the June 26<sup>th</sup> document:

**"I have reviewed the draft of the solicitation letter for the legal defense fund. The solicitation does not involve reporting to the Public Disclosure Commission, because it is from you, as an individual, not from a political committee. The disclaimer is also fine.**

**The only concern I have if the list of people to whom this were to be sent. If it is the PAC mailing list, in whole or part, you could again face a PDC charge that you have made "personal use of a committee asset. The problem may be avoided by contacting Monte, Jack and Mike and renting the list from the committee..."**

- 4.43 A handwritten note from Tim Eyman was included on the June 26, 2002 letter stating "on June 30<sup>th</sup>, I rented the campaign's list for one-years use for \$850. The \$850 payment to Permanent Offense PAC was made from Tim Eyman's personal account.
- 4.44 Mr. Eyman indicated during his interview under oath that he had contacted Data Resources to determine a "fair market value" for the list based on a comparable list based on the advice in the letter from John White. Mr. Eyman stated that the \$850 valuation for the list had been agreed upon by the principals of Permanent Offense PAC. He went on to indicate that he had developed his own internal fundraising list, and that he had no current plans on renewing the rental of the old list.
- 4.45 The documentation referred to above for the \$18,022.26 reimbursement to Tim Eyman, indicated one of the items reimbursed to Mr. Eyman by the legal defense fund included \$850 for the rental of the mailing list originally paid using his personal funds to Permanent Offense PAC on June 30, 2002.

Printing and Mailing Services:

- 4.46 Mr. Eyman used the services of Data Resources for the printing and postage related costs of producing and distributing fund raising letters for the legal defense fund. Between July 1, 2002 and July 14, 2003, a total of eight expenditures had been made to Data Resources totaling \$20,916.81 for the costs of mailings of legal defense and legal defense fund raising letters.
- 4.47 Tim Eyman stated during the interview that he wrote all of the fund raising letters used to solicit money for the legal defense fund and to pay for legal services. The first two mailings soliciting funds for the legal defense fund were 17,000 and 24,500 piece mailings respectively. In addition, a December 23, 2002 legal defense fund raising letter was sent to 5,250 individuals by Mr. Eyman. The last three solicitations for the legal defense fund were sent to between 2,772-3,200 individuals. A detail of the expenditures made to Data Resources include the following:

<u>Date of Expenditure</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
7/1/2002	Data Resources	\$ 5,687.00	Cost of mailing
7/29/2002	Data Resources	\$ 8,259.50	Cost of mailing
9/6/2002	Data Resources	\$ 1,000.00	Cost of mailing
10/17/2002	Data Resources	\$ 824.65	Cost of mailing (*)
12/23/2002	Data Resources	\$ 1,874.87	Cost of mailing
5/9/2003	Data Resources	\$ 1,028.99	Cost of mailing (*)
5/27/2003	Data Resources	\$ 1,233.50	Cost of mailing (*)



6/5/03	Data Resources	\$ 1,008.30	Cost of mailing (*)
<b>Totals</b>		\$ 20,916.81	

(\*) Indicates that the cost of mailing was paid with a money order out of the legal defense fund.

4.48 In addition, Tim Eyman also made a total of two expenditures totaling \$1,725.76 to PS Envelope for envelopes for legal defense fund mailings. Those expenditures were made using Tim Eyman's personal funds, and included a \$905 expenditure on June 30, 2002, and a \$820.76 expenditure on July 1, 2002. An additional \$56.80 expenditure was made to PS Envelope on October 28, 2002 using legal defense funds.

4.49 Mr. Eyman stated during his interview under oath that neither he nor PO, Inc. had been paid or otherwise provided compensation for the fund raising letters, consulting services, or other services he may have provided to the legal defense fund.

4.50 The documentation referred to above for the \$18,022.26 reimbursement to Tim Eyman on July 23, 2003 from the legal defense fund, included expenditures to Data Resources totaling \$14,946.50 that had originally been paid by Mr. Eyman. In addition, the legal defense fund reimbursement to Mr. Eyman included the two expenditures to PS Envelope for envelopes for legal defense fund mailings totaling \$1,725.76.

4.51 Mr. Eyman indicated the \$1,874.87 expenditure to Data Resources made by Mr. Eyman on December 23, 2002, using personal funds has not yet been reimbursed, but likely will be reimbursed in the future.

#### Data Entry Services:

4.52 Mr. Eyman used the services of Steve Parry to data enter the names of donors to the legal defense fund. Mr. Eyman indicated that he made photocopies of the checks made out to the legal defense fund, and then delivered the photocopies to Mr. Perry for data entry. Between August 23, 2002 and July 2, 2003, four expenditures were made totaling \$1,315 to Steve or Linda Parry for data entering legal defense fund donor information, broken down as follows:

<u>Date of Expenditure</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
8/23/2002	Steve Parry	\$ 500.00	Data Entry Donors
11/4/2002	Steve Parry	\$ 195.00	Data Entry Donors
6/2/2003	Steve Parry	\$ 500.00	Data Entry Donors (*)
7/2/2003	Linda Parry	\$ 120.00	Data Entry Donors (*)
<b>Totals</b>		<b>\$ 1,315.00</b>	

(\*) Indicates that the costs of data entry were paid with money order out of the legal defense fund. The \$500 expenditure to Steve Parry on June 2, 2003, and the \$120 expenditure to Linda Parry on July 2, 2003, were paid for by the legal defense fund, and not with personal funds to Tim Eyman.

- 4.53 The documentation referred to above for the \$18,022.26 reimbursement to Mr. Eyman, indicated one of the items reimbursed to Mr. Eyman on July 23, 2003, by the legal defense fund included the \$500 expenditure paid to Steve Parry by Tim Eyman on August 23, 2002. In addition, Mr. Eyman indicated that a \$195 expenditure to Steve Parry made by Mr. Eyman on November 4, 2002, using personal funds has not yet been reimbursed, but likely will be reimbursed in the future.
- 4.54 Mr. Eyman provided additional documentation for the legal defense fund on August 6, 2003, that included a spreadsheet of new expenditures that had been made from the Legal Defense Fund (as of 8/1/2003) and referenced as Report of Investigation Exhibit #12. The documentation indicated that as of August 1, 2003, total expenditures from gifts used for legal defense fund was \$146,568.40 that included both the \$18,022.26 reimbursement to Tim Eyman by the legal defense fund, and the \$64,166.84 reimbursement to PO, Inc. also by the legal defense fund. In addition, Mr. Eyman personally paid for legal defense related expenditures totaling \$2,069.87 for which he has not been reimbursed. Therefore, as of August 1, 2003, legal defense related expenditures totaled \$148,638.27.

### **Summary**

- 4.55 Both Tim Eyman and David Hawthorne stated that they relied on the information contained in the August 14, 2002, letter from the PDC, regarding activities undertaken on behalf of the legal defense fund for both donations received and expenditures made.
- 4.56 Mr. Eyman stated the following during the July 31, 2003, interview under oath:
- That any financial support sought in the legal defense fund raising letters he sent was solely for the purposes of paying legal expenses, and that none of the funds were used to pay him or his family's personal expenses. No payments were made that enabled Tim Eyman to spend time assisting or promoting ballot measure campaigns and/or initiatives to the legislature;

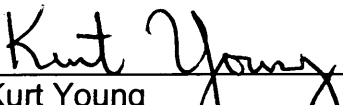
- That all funds received from the numerous solicitations to help pay legal expenses were and will be used in the future solely to pay legal expenses,
- That none of the funds received in excess of his legal costs have been or will be used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature; and
- That any funds received from the solicitations that are used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature, will be reported in accordance with the Public Disclosure Law, chapter 42.17.RCW.

- 4.57 According to the deposit totals listed on an updated spreadsheet provided by Tim Eyman on August 6, 2003, the total donations received for “legal defense fund” purposes between March 4, 2002-August 1, 2003, was \$145,817.94, and interest totaling \$510.91.
- 4.58 Expenditures totaled \$148,638.27 as of August 1, 2003. The expenditures included legal fees, fines, and costs related to the operation of the “legal defense fund.” This amount includes legal defense related expenditures paid by Mr. Eyman using personal funds totaling \$2,069.87, that have not yet been reimbursed, but likely will be reimbursed in the future. Those expenditures by Mr. Eyman included an \$1,874.87 expenditure to Data Resources made on December 23, 2002, and a \$195 expenditure to Steve Parry made on November 4, 2002.
- 4.59 Mr. Eyman stated during the interview under oath conducted on July 31, 2003, that no additional funds have been deposited or transferred into the bank account of PO, Inc. except for the \$64,166.84 expenditure to PO, Inc. on July 23, 2003 listed as a reimbursement. Mr. Eyman went on to state that PO, Inc. was recently reimbursed by the legal defense fund for the early legal retainer and other legal fees that were paid to the law firms Appel & Glueck, PLLC, and Livengood, Carter, et al.
- 4.60 David Hawthorne stated during the interview under oath conducted on July 31, 2003, that no additional funds have been deposited or transferred into the bank account of PO, Inc. except for the \$64,166.84 expenditure to PO, Inc. on July 23, 2003 listed as a reimbursement. Mr. Hawthorne went on to state that PO, Inc. was recently reimbursed by the legal defense fund for the early legal retainer and other legal fees that were paid to the law firms Appel & Glueck, PLLC, and Livengood, Carter, et al. Mr. Hawthorne confirmed this information during his interview when he indicated PO, Inc. did not receive any revenue during 2003, but had

recently been reimbursed by the legal defense fund for legal fees that he thought included the retainer to Appel & Glueck and other legal fees.

- 4.61 Additional documentation for the legal defense fund was provided to the PDC on August 6, 2003, which listed a \$64,166.84 expenditure to PO, Inc. on July 23, 2003. A cashier's check and spreadsheet provided by Mr. Eyman verified that \$56,496.69 of the expenditure was a reimbursement from the legal defense fund to PO, Inc. for legal fees paid by PO, Inc. listed above, and the remaining \$7,670.15 of the expenditure was a reimbursement for an expenditure made to Hawthorne & Company on May 23, 2002.
- 4.62 In addition, the documentation provided indicated that an \$18,022.26 expenditure had been made from the legal defense fund using a cashier's check to reimburse Mr. Eyman for mailing costs and other costs he incurred in 2002 for legal defense-related activities that are detailed above.
- 4.63 A review of the documentation provided indicated that the \$64,166.84 expenditure to PO, Incorporated, and the \$18,022.26 expenditure to Tim Eyman were all for reimbursable legal defense related activities. None of the documentation reviewed indicated that any of the expenditures were to Tim Eyman for services he provided for the legal defense fund, or to Insignia Corporation, a corporation controlled by Tim Eyman. When asked if Insignia Corporation was a going concern, Mr. Eyman indicated that it was, and that he is continuing to earn compensation for work performed.
- 4.64 When asked if PO, Inc. is a going concern and likely to continue to exist, Mr. Eyman indicated that it would not continue, and that other the reimbursement of the expenses from the legal defense fund, no additional deposits have been made into the account, and he has not received any compensation or salary from Permanent Offense Inc. in 2003.

Respectfully Submitted this 13<sup>th</sup> day of August, 2003.

  
Kurt Young  
Chief Political Finance Specialist

**List of Exhibits**

- Exhibit #1:** May 19, 2003, complaint filed by Steve Zemke with the PDC against Tim Eyman, initiative consultant and fundraiser.
- Exhibit #2:** July 31, 2003, transcript of David Hawthorne, owner of Hawthorne & Company CPA firm, interview under oath.
- Exhibit #3:** July 31, 2003, transcript of Tim Eyman interview under oath.
- Exhibit #4:** August 7, 2002, fund raising letter sent from Tim Eyman entitled "Dear Fellow Taxpayer".
- Exhibit #5** August 13, 2002, facsimile from Tim Eyman sent to the PDC regarding a legal defense fund.
- Exhibit #6** August 13, 2002, letter from PDC staff sent to Tim Eyman regarding the establishment of a "legal defense fund".
- Exhibit #7** August 14, 2002, facsimile from Tim Eyman sent to the PDC as a follow-up to the 8/13/02 letter regarding a legal defense fund.
- Exhibit #8** August 14, 2002, an additional letter from PDC staff was sent to Tim Eyman in response to his facsimiles.
- Exhibit #9** A spreadsheet prepared and maintained by Tim Eyman of deposit activity entitled "Voluntary gifts used for Legal Defense Fund (as of June 12, 2003).
- Exhibit #10** An updated spreadsheet of deposit activity entitled "Voluntary gifts used for Legal Defense Fund (as of 8/1)", submitted by Tim Eyman on August 6, 2003.
- Exhibit #11** Spreadsheet of "Expenditures from gifts used for legal defense-related activities (as of 6/12)" that was prepared and maintained by Tim Eyman, as part of the document production pursuant to the subpoena.
- Exhibit #12** Updated spreadsheet of "Expenditures from gifts used for legal defense fund (as of 8/1/03)" provided by Tim Eyman on August 6, 2003.

- Exhibit #13** Copy of a cashier's check dated July 23, 2003, and a spreadsheet detailing a \$64,166.84 reimbursement from the "legal defense fund" to Permanent Offense. Incorporated.
- Exhibit #14** Spreadsheet prepared and maintained by Tim Eyman of expenditures made for legal defense-related activities, paid for by Tim Eyman personally or using legal defense funds.
- Exhibit #15** Updated spreadsheet of other legal defense-related expenditures provided by Tim Eyman on August 6, 2003, listing personal and legal defense fund expenditures paid as of August 1, 2003.
- Exhibit #16** A \$18,022.26 cashier's check from the legal defense fund to reimburse Tim Eyman for mailing and other costs incurred for legal defense-related activities.
- Exhibit #17** A June 26, 2002, document from the legal counsel of Permanent Offense PAC to Tim Eyman, was provided to the PDC by Mr. Eyman via facsimile on July 17, 2003, regarding a "legal defense fund solicitation."

-----Original Message-----

**From:** Steve Zemke [mailto:stevezemke@msn.com]

**Sent:** Monday, May 19, 2003 1:52 PM

**To:** Vicki Rippie

**Subject:** Official Complaint - Tim Eyman fundraisng in violation of campaign laws

May 19, 2003

Public Disclosure Commission

711 Capitol Way #206

Olympia, WA 98504

Dear Public Disclosure Commission:

This letter constitutes the formal filing of a complaint against "Tim Eyman - Taxpayer Advocate" in apparent violation of state public disclosure laws and agreements made in previous court actions against one Tim Eyman with the Washington State Public Disclosure Commission.

According to a May 12, 2003 campaign filing Tim Eyman has donated some \$33,897.96 in campaign services to the campaign committee Voters Want More Choices" which is trying to collect signatures for Initiative 807 for 1/3 minority voting control over the state budget. In an article in the Seattle PI written by Neil Modie on Friday, May 16, 2003

[http://seattlepi.nwsourc.com/local/122268\\_eyman16.html](http://seattlepi.nwsourc.com/local/122268_eyman16.html)

**Eyman passing the hat again for himself**

Tax foe asks for 'gift,' while funds for his I-807 are down

*Friday, May 16, 2003*

by NEIL MODIE

SEATTLE POST-INTELLIGENCER REPORTER

it is disclosed that Mr Eyman is sending fundraising letters to his campaign supporters asking them to send donations directly to him written out to "Tim Eyman, Taxpayer Advocate" and not to his campaign committee. This seems to be a pretty transparent effort to allow campaign funds to be sent directly to him without being disclosed to the public. Because they wouldn't be reported, the public would not know how much or who gave money to support Tim Eyman to allow him to donate his services to campaigns. Are there secret big donors supporting his campaigns like I-807 who do not want the public to know who they are or how much they are willing to give to allow Eyman to do 'free' consulting?

EXHIBIT # 1

1 of 3

5/19/2003

How is it possible for him to be donating \$33,897.96 in kind to the Initiative 807 campaign and not asking them for repayment while at the same time asking campaign supporters to make contributions or gifts directly to him? Donations made out to "Tim Eyman, Taxpayer Advocate" could obviously be used for anything Eyman wanted.

The reality is that Eyman like most people can not work for free. If Voters Want More Choices paid him for his services he would have to pay state and Federal taxes and I'm sure he would have to use it also to keep his family going and pay house and car bills. So if he asks people to support him directly with gifts does he avoid state and Federal taxes and public disclosure? The I-807 campaign would also only have about \$2000 in the bank if it paid him for his services.

Is this no more than some little trick? What contributions directly to him does is to avoid accountability and public disclosure of who supports Eyman efforts on Initiative 807 and what he is being paid. He can once again appear as if he is generously donating his time to campaign work without asking for payment for services.

Eyman appears to be mocking the state Attorney General Christine Gregoire and the Washington State Public Disclosure Commission which had Eyman agree in a court settlement that he would not be the treasurer of a campaign committee again. Certainly he is the "treasurer" of any "gifts" or contributions made out to "Tim Eyman, Taxpayer Advocate." Is "Tim Eyman, Taxpayer Advocate" any other than "Tim Eyman, Campaign Consultant" or "Tim Eyman of Permanent Offense"?

In such a public position as he is in, working political campaigns subject to disclosure of campaign financing, how stupid does he think the public is? His actions are just the reason why voters passed Initiative 276 for one of the strongest public disclosure laws in the country in 1973 with 72% of the people voting to approve it - a much higher margin of victory than any of Eyman's measures have seen.

I request that the Public Disclosure Commission investigate this transparent attempt to once again circumvent the state Public Disclosure Act.

Steve Zemke

Taxpayers for Washington's Future

[www.majorityrules.info](http://www.majorityrules.info), [www.stevezemke@msn.com](mailto:www.stevezemke@msn.com) 206-999-6095 cell  
2131 N 132<sup>nd</sup> St 206-366-0811 home  
Seattle, Wa 98133

EXHIBIT #1  
2 of 3



FROM THE DESK OF  
TIM EYMAN, TAXPAYER ADVOCATE  
11913 59<sup>TH</sup> AVENUE WEST  
MUKILTEO, WA 98275

Dear Fellow Taxpayer & Supporter:

As you can see from the article reprinted on the back, our hard work and teamwork are paying off.

This paragraph from the story is my favorite: "Legislators say the prospect of a taxpayer revolt has overshadowed Olympia and has changed the debate. 'Initiatives are now the fourth branch of government' and Eyman's threats chilled talk of new revenue, says House Finance Chairman Jeff Gombosky, D-Spokane."

Thanks to our efforts and pressure, the taxpayers have already scored some extraordinary victories. Lobbying against higher taxes has taken on a greater urgency this year because of the tough economic times our citizens face right now in Washington. Thanks to your hard work and teamwork, we have fundamentally changed the debate in Olympia.

I am pleased and proud of what we have done together. But I have never lost sight of the fact that it would not have been possible without the teamwork of our thousands of supporters throughout the state.

The average taxpayer now has a voice in the debate. But will our voices be heard? It depends — it depends on how hard we're willing to work to ensure that our elected officials are convinced that we're serious. That we will keep fighting no matter what. We must work each and every day to counter the ever-present voices that constantly offer tax increases as the only solution to our public problems.

I ask you to please send a voluntary financial gift if you like what you've seen this year. I sincerely appreciate the help we've received so far and want to thank you all for the extraordinary generosity that you have shown to me and my family.

So, using the form below, please send me a \$10, \$25, \$50, \$100, \$250, \$500, or \$1000 check — made payable to "Tim Eyman, Taxpayer Advocate" — to my home in Mukilteo. And please understand: your gift is obviously optional, reliably anonymous, and very much appreciated. Thank you very, very much for your consideration.

Best Regards, Tim Eyman, Taxpayer Advocate



TIM EYMAN, TAXPAYER ADVOCATE • 11913 59<sup>TH</sup> AVE W • MUKILTEO • WA • 98275

Please supply the information below so I can send you a thank you letter.

Your Name \_\_\_\_\_  
Address \_\_\_\_\_  
City, State, Zip \_\_\_\_\_  
Phone # \_\_\_\_\_  
E-mail address (please print very clearly) \_\_\_\_\_

Here is my check for \$ \_\_\_\_\_

Made payable to "Tim Eyman, Taxpayer Advocate"

GIFTS TO "TIM EYMAN, TAXPAYER ADVOCATE" ARE NOT TAX-DEDUCTIBLE. GIFTS TO "TIM EYMAN, TAXPAYER ADVOCATE" ARE NOT POLITICAL DONATIONS BUT ARE FOR A LEGAL DEFENSE FUND SO CONTRIBUTORS' NAMES, ADDRESSES, AND AMOUNT OF FINANCIAL SUPPORT WILL BE ANONYMOUS.

EXHIBIT #1

3 of 3

**PDC Interview of Dave Hawthorne  
by Kurt Young**

July 31, 2003

Tukwila, Washington

*Tape 1, side A*

YOUNG: This is the Public Disclosure Commission investigation, PDC Case #03-244, the statement of David Hawthorne. The time is now 10:15, the date is July 31, 2003. I am Kurt Young of the Public Disclosure Commission. This statement is being recorded at the regional offices of Labor and Industries in Tukwila and the oath will be administered by Linda at this time.

LINDA HAAPALA: Please raise your right hand. Do you promise that the answers you are about to give are the truth, the whole truth and nothing but the truth?

HAWTHORNE: I do.

YOUNG: Thank you Linda.

HAAPALA: Thank you.

YOUNG: And David do you understand that this statement is being recorded?

HAWTHORNE: I do.

YOUNG: And for the record and voice identification would you state your full name and spell your last?

HAWTHORNE: My name is David Douglas Hawthorne. Full name or just last?

YOUNG: Just last.

HAWTHORNE: Last name is H-A-W-T-H-O-R-N-E

YOUNG: And can you give us a business address?

HAWTHORNE: Business address is 15220 6th Avenue SW, Seattle, 98166.

YOUNG: And a work telephone.

HAWTHORNE: 206-243-2336

YOUNG: And this is the investigation of a complaint filed by Steve Zempke against Tim Eyman. Can I call you Dave or David?

HAWTHORNE: Either one is fine.

YOUNG: Dave, and I just wanted to note on the record that Dave came in voluntarily today. No subpoena was issued so we do appreciate that. And if we could kind of move into that. What is your occupation Dave?

HAWTHORNE: I am a certified public accountant.

YOUNG: And how long have you been a CPA?

HAWTHORNE: Since 1985.

YOUNG: And your business is in Burien?

HAWTHORNE: It is in Burien, yes.

YOUNG: And did you or anyone else in your firm deal directly or indirectly with Tim Eyman or anyone representing Tim Eyman with regards to legal defense fund issues?

HAWTHORNE: That would be myself.

YOUNG: And did you have discussions with Tim about the issue of creating a legal defense fund?

HAWTHORNE: Tim called me and talked to me about funds that he was receiving, personally, and wanted to create a legal defense fund.

YOUNG: And when did those conversations take place?

HAWTHORNE: Oh gosh. Last year sometime. It probably would have been, well it was after the investigation of the Permanent Offense issues. It took place and checks started coming into him personally from some supporters and so it was probably last summer I suppose. July of 2002.

YOUNG: And who brought up the subject of a legal defense fund?  
Was that Tim or yourself?

HAWTHORNE: that would have been Tim.

YOUNG: Tim.

HAWTHORNE: Yes.

YOUNG: And can you kind of describe the substance of that initial conversation or conversations?

HAWTHORNE: Oh gosh, I really don't remember much about it except I know he called and said he had been receiving some checks personally that were specifically directed not to go into any kind of, the Permanent Offense or any initiative campaigns, they were for him alone to help him with his legal costs that were pretty well publicly known at that time. And so he asked what to do with this money and so I instructed him to put it into, because it's personal gifts, to put it into a separate account and keep track of all of the money that he received.

YOUNG: Those initial donations from people, were, had those been solicited by Tim or do you know if they were unsolicited?

HAWTHORNE: As far as I know they were unsolicited because he was actually a little surprised that he got them. I was surprised he got them.

YOUNG: And so you provided him some type of advice regarding that legal defense fund issue?

HAWTHORNE: Well he asked me in part what would happen with the funds and what was the character of the funds. And I'm kind of putting words in his mouth, but to describe the situation. My, I quizzed him a little bit about where the money came from and he said it was unsolicited, it just showed up, what should I do with it. I said it appears to be gifts from individuals to you and gifts from one individual to another, two parts,

federal tax wise, not taxable, that was one of his questions, are these taxable. And the other question is just what do I do with these. It hadn't really crossed my mind at that point about any PDC issues. Although that did come up later, in later discussions because of the nature of the gifts. They were coming from supporters that had supported the initiatives but were not mailed directly to initiatives. And actually were specifically, there were specific instructions Tim told me on some of the checks, that they were not to go towards the initiatives that they were for him personally. So that's kind of where it got started.

YOUNG: And did those discussions with Tim, did those lead him to write a fundraising letter for the legal defense fund?

HAWTHORNE: I believe that was the chronology of events. He got the idea then to request more funds.

YOUNG: I've marked Exhibit 1 here, I'm passing that out to Dave for a review. It's a letter addressed "Dear Fellow Taxpayer" from Tim Eyman. A copy was received at the Public Disclosure Commission so there is a date up in the right hand corner of August 7, 2002. Are you familiar with this letter Dave?

HAWTHORNE: Yes, I am.

YOUNG: And were you aware of the "Dear Fellow Taxpayer" letter prior to it being sent out?

HAWTHORNE: Yes, I was.

YOUNG: And did you review the letter or participate in any way in the drafting of it?

HAWTHORNE: I did review the letter. Tim asked me to look at it to be sure that it was in compliance partly with Federal law and by that time I believe we were discussion issues about public disclosure rules or lack of rules regarding requests for

money as an individual. And part of that had to do with making sure that there was no political emphasis or support of any particular initiative or candidate or so on and so forth in the letter in soliciting funds.

YOUNG: And those were the type of PDC issues that you discussed with him?

HAWTHORNE: Those are the things that we discussed. And I don't remember if it was in this one or there was a subsequent letter after receiving a letter from the PDC that gave us a heightened awareness of what to pay attention to, and I'm sure we'll probably discuss that letter here shortly. So I don't remember the chronology again of the events, it was one of those things that Tim asked me to review the letter, I looked at it to make sure that we were in compliance with any kind of, in particular tax laws. To make sure he wasn't creating a business income. That was one part of it. So that was my role in it.

YOUNG: Did you consult or advise Tim at all to also discuss this with a legal counsel?

HAWTHORNE: Yes. Actually it was discussed with the attorney that had worked with him on the defense of the prior settlement, John White.

YOUNG: John White, okay. And I won't ask the substance of those discussions. And then based on your conversations with him and possibly Mr. White, did you advise Tim to contact the PDC and seek some kind of written advise or was this something Tim sought out on his own? Or do you have any knowledge of that?

HAWTHORNE: I don't recall suggesting that he contact the PDC. No.

YOUNG: At the bottom of the second page of that exhibit, the very last sentence "gifts to Tim Eyman, taxpayer advocate, will be used to help Tim Eyman resolve his current financial challenges" did you discuss with Tim what those financial challenges were?

HAWTHORNE: Are you looking at the very bottom there?

YOUNG: Yeah, part of that disclaimer.

HAWTHORNE: You paraphrased that then?

YOUNG: That's correct. Obviously we had the investigation and there were legal costs but were there other challenges?

HAWTHORNE: Actually the costs of defending himself and the penalties resulting from the final settlement were pretty significant and those were really the financial challenges that he was facing.

YOUNG: Okay. I've marked Exhibit 2 here and that's an August 13<sup>th</sup> letter from the PDC addressed to Tim Eyman, dated August 13, 2002 signed by Phil Stutzman, Director of Compliance. Are you familiar with this correspondence?

HAWTHORNE: Yes, I am. This was, a copy of this was furnished to me by Tim Eyman.

YOUNG: And did you discuss the content of the letter with Tim after it was received?

HAWTHORNE: Yes we did.

YOUNG: And can you provide some type of description of what those discussions were about?

HAWTHORNE: If I could read, can I have a moment to review the letter here?

YOUNG: Sure, sorry about that.

HAWTHORNE: Okay.

YOUNG: Prior to referring to the letter, in your discussion with Tim did you talk about what the cost that either you or he anticipated he would be incurring from this legal defense fund?

HAWTHORNE: I'm not sure I'm clear on what your question is there.

YOUNG: I guess did you have any discussions about the type of expenditures that the legal defense fund would be incurring.

HAWTHORNE: No. Not really prior to that. Some of the expenses had already been incurred by the time any of these letters were issued. The penalty, the legal fees, the attorney's fees were pretty sizable, the accounting fees in order to generate information for the defense of the situation.

YOUNG: Did you or Tim set any type of goals or amounts, or any type of budget that you had targeted?

HAWTHORNE: No. We never discussed any of that. In fact I had no idea even what money had come in or how much, or when.

YOUNG: And referring to this August 13<sup>th</sup> letter, did you discuss these issues with Tim at length or in depth or did you have discussions with Tim about this letter?

HAWTHORNE: We had telephone conversations about this. In particular regarding the, it would be on the second page the paragraph beginning "however, if the financial support sought in your August 7<sup>th</sup> letter is solely for the purpose of paying legal expenses" so on and so forth. We looked at that as the focus of the letter and that clearly was the intent of the so called legal defense fund. Was to provide funds to, I guess to replace what the costs had been or to support the ongoing costs of the defense as well.

YOUNG: And did you, based on this letter, did you have any discussions with Tim about what types of expenditures



would be considered appropriate from the legal defense fund?

HAWTHORNE: Not specifically, no.

YOUNG: I don't want to put words in your mouth, did you have discussions about the second part of that letter that talked about not using legal defense funds to pay for family personal expenses?

HAWTHORNE: Yes. Very clearly we discussed that. It was kind of the process speaking almost from an accounting standpoint. Keep the funds separate and clearly separate, in a separate bank account. Use the funds only for payment of expenses related to the defense in the settlement from the earlier action. And document everything that was related to that. Which I believe Tim, I know he set up a separate account. I know he put all of the money in there, or he's told me he put every dollar he got into that account. And had clearly kept it separate from everything else and did not spend it on any family expenditures.

YOUNG: And did Hawthorne and Company provide any reconciliation or review of those funds?

HAWTHORNE: No. We saw nothing related to that.

YOUNG: Okay. I'm going to actually combine these for use of your purpose. I've marked these as exhibit 3 and 4. Exhibit, both of them are correspondence from Tim faxed to the Public Disclosure Commission. One on August 13<sup>th</sup> and one on August 14<sup>th</sup>. As a follow up to, on the 13<sup>th</sup> was a phone conversation we had and another was a follow up from Tim on the 14<sup>th</sup> to our August 13<sup>th</sup> letter. I will give you a second to read through those.

HAWTHORNE: Just to be clear, is his first one, his first letter in Exhibit 3, was that before this letter was written?

YOUNG: What I'm not clear on is when we faxed, I know we faxed the August 13<sup>th</sup> letter to Tim. I believe the chronology would have been that we would have received the fundraising letter on August 7<sup>th</sup>, had a phone conversation with Tim, received the fax from Tim, sent the August 13<sup>th</sup> correspondence, he followed up on the 14<sup>th</sup>. Initially it was all one packet but for ease of this purpose I kind of combined it and made it separate exhibits.

HAWTHORNE: Okay. And that's what I thought was the chronology. Letter received, discussion with Tim, letter from PDC sent, another fax letter from Tim to the PDC the following day.

YOUNG: In most instances I would have made it one exhibit for you, but because I'm doing the same exhibits for both of you I was going to talk to Tim about the substance of each of those. Let me just had out also at the same time Exhibit 5 and this was the follow up letter, so you'll have the whole packet. We refer to it all at once there. While Dave's reviewing that I'll go ahead and identify Exhibit 5. It's an August 14<sup>th</sup> letter, 2002, addressed to Tim Eyman from the Public Disclosure Commission in response to our August 13<sup>th</sup> letter and the August 14<sup>th</sup> facsimile from Tim.

HAWTHORNE: Okay.

YOUNG: Are you familiar with the August 13<sup>th</sup> and August 14<sup>th</sup> faxes from Tim to the Public Disclosure Commission?

HAWTHORNE: You know I don't recall if I saw them or not. I just don't recall. I am now that I've read them.

YOUNG: And did you have discussions with Tim, whether or not you saw them is less important, but did you have discussions

with him that kind of, along the lines of his request to ask for a response?

HAWTHORNE: Yes. I knew that after the, I knew that we had talked and I'm not sure again the chronology of this, if it was before or after the conversation, or the phone conversation on the 13<sup>th</sup>. But I knew that he had talked to you guys and that it was made clear as shown in the August 14<sup>th</sup> letter that he had to use the funds strictly for legal purposes, legal costs and not for his family and not to support any political candidates. So we were clear on that and he was clear on that.

YOUNG: Okay. So you had discussions with Tim that in certain circumstances some of the activity could be reportable to the Public Disclosure Commission if they met the test outlined in the August 14<sup>th</sup> letter from us.

HAWTHORNE: Yes. If there was any straying towards supporting candidates, supporting his family, allowing him to work in the political arena as a results of these funds coming in, which indirectly would have been supporting him and his family. So we were well aware of that.

YOUNG: And then you discussed the issue of using it for his family or personally use then?

HAWTHORNE: Yes. Correct. And, well, yeah. He just, he was very clear on that and we were clear with him on the use of it.

YOUNG: Did you have any discussions with Tim regarding the legal defense fund paying him personally or making payments to Permanent Offense Inc., for fundraising services or other consulting services? Like if he's writing these fundraising letters and incurring time, was there any discussions about him at some point being paid for the work?

HAWTHORNE: No compensation.

YOUNG: And that was clear?

HAWTHORNE: That was clear. Yeah.

YOUNG: And do you know if the legal defense fund has made any payments to Tim or Permanent Offense Incorporated?

HAWTHORNE: As of last week, yes. Permanent Offense was reimbursed for expenses it had paid and Tim was reimbursed for legal expenses that he had paid.

YOUNG: Let me just jump down. What was the nature of those reimbursements? Would it be for like the retainer paid to Appel and Gluek and some of the legal fees?

HAWTHORNE: Actually, exactly. It was all of the legal fees that had been paid. It was reimbursement for accounting fees that had been paid related to that specific case. And actually I don't have the detail with me. There was a detailed list that matched specifically with the constraints of the letter here that were for costs and fines and things related to the settlement.

YOUNG: I think Tim provided those spreadsheets that we'll talk about a little bit later. I might come back to that.

HAWTHORNE: Okay. Sure.

YOUNG: And was there any reimbursement for the penalties or anything like that? Was that also handled that way?

HAWTHORNE: Yes. As I recall that was handled that way as well. As part of the entire cost of the settlement.

YOUNG: And there were some other costs that had been incurred by Tim personally such as payments to data resources, and Linda or Steve Perry for data entry things, do you know if those have been reimbursed or if those are planning on being reimbursed at all?

HAWTHORNE: I don't know that. Or if I do, I don't recall.

YOUNG: Have you had any discussions with Tim about treating those as a liability or other type of obligation that the legal defense fund might pay back in the future?

HAWTHORNE: Not, let's see Data resource, that's the mailing list people?

YOUNG: That's correct and he uses Data Resource for printing and mailing of the solicitation letters.

HAWTHORNE: That I believe we talked about that and determined that that was part of the legal defense cost in terms of soliciting or requesting the letters or preparing the letters for the gifts. As far as Linda Perry and the data entry, I don't know on that one.

YOUNG: Okay. For the data resources, were there discussions about those being eligible for reimbursement as well?

HAWTHORNE: Yeah, that's what I just said. That I believe, the preparation of the letter. Data Resource was preparing the letter then that was for the printing costs and the mailing cost. Those we felt fell under the purview of the legal defense fund.

YOUNG: And had those been paid along the way or recently?

HAWTHORNE: I don't recall.

YOUNG: Okay. You didn't handle any oversight of the payment or the accounting?

HAWTHORNE: No. I had nothing to do with it. It was really, anything we got was from whatever Tim told us or had faxed to us.

YOUNG: More of an advisory role than say an oversight role?

HAWTHORNE: Yeah. He would just call us with questions.

YOUNG: Moving more to the donation side, did you have discussions with Tim regarding soliciting the donations to the legal defense fund?

HAWTHORNE: How do you mean discussions with Tim?

YOUNG: About, we had already talked about setting up the account so obviously there had been some discussions about that. Amounts or who he could solicit.

HAWTHORNE: Nope, none of that.

YOUNG: None of that.

HAWTHORNE: Tim took care of anything that was related to that part of it.

YOUNG: Did you have discussions with him about how he should treat those donations once they were received?

HAWTHORNE: Yes, that's what we were talking about. If they came in they would be deposited into a separate bank account that was clearly used only for that particular purpose is the funds for the legal defense.

YOUNG: And, I know we're kind of covering some of the same ground so I apologize about that, I'd rather be thorough and ask a question twice than have to do this exercise again. Was Hawthorne and Company involved at all in the receiving, depositing or recording of donations received to the legal defense fund?

HAWTHORNE: Not at all.

YOUNG: And the bank account selected, was that the bank account for Permanent Offense Inc.?

HAWTHORNE: No.

YOUNG: No. Do you know the status of Permanent Offense Inc.? Is that still a going concern?

HAWTHORNE: It's winding down I guess is the best way to put it. It's, I guess technically in its closing stages.

YOUNG: Are you still providing work for Permanent Offense Inc.?

HAWTHORNE: There is final work to do for the prior tax year and so we still got to complete that.

YOUNG: Is there money coming into Permanent Offense Inc., at all?

HAWTHORNE: No.

YOUNG: Okay.

HAWTHORNE: Well let me rephrase that. There is the reimbursement from the defense fund for costs that Permanent Offense had advanced for that cause, Permanent Offense Inc., not the PAC.

YOUNG: Okay.

HAWTHORNE: So the Inc. so that was taken care of in the year 2003 but there is no other, no sources of revenue, no income sources its just reimbursement money.

YOUNG: Perfect, that's where we were going with that. Is Permanent Offense Inc., paying Tim for any political work, other than the reimbursement issue for the legal defense fund.

HAWTHORNE: No. No compensation.

YOUNG: No compensation. Do you know if Tim deposited any of the donations for the legal defense fund into his personal checking account or any other account other than the savings account currently being used for legal defense fund purposes?

HAWTHORNE: I don't know where he deposited any or all of the funds but he told me they were all going into a savings account.

YOUNG; And you had discussions with him on one or more occasions about that?

HAWTHORNE: Very clearly that he was to keep all of those funds in a separate account.

YOUNG: Is Hawthorne and Company providing any work for Insignia Corp.?

HAWTHORNE: Yes.

YOUNG: And is Insignia Corp. still a going concern?

HAWTHORNE: Yes it is.

YOUNG: Is Tim or Karen drawing a salary or other form of compensation from Insignia?

HAWTHORNE: I don't know for 2002 because I haven't seen the records yet, but yes there is compensation being paid to Tim out of Insignia Corp.

YOUNG: And let me just go off of the record for a second here and check some notes and I think we're going to wrap this up pretty quick here. It's 10:54 and we're just going back on the record. While we were off the record I handed out some exhibits to Dave Hawthorne and I will just identify those for the record briefly. Exhibit 6 was a fundraising solicitation letter from Tim Eyman to Fellow Taxpayers and Supporters. Exhibit 7 is a letter from John White, attorney with Livengood, Carter, Thoseam, Fitzgerald & Osgod, dated June 26, 2002 regarding legal defense fund solicitation, it's a one page letter. Exhibit 8 is a spreadsheet that I understand was generated by Tim Eyman. It's a two-page exhibit regarding expenditures from gifts that were used for the legal defense fund. And the Exhibit 9 is also a two page document, a spreadsheet for lack of a better word, that the first page and a portion of the second details deposits that were made into an account and the second portion of the second page is net gifts raised from the legal defense. Taking a moment to look at Exhibit 6, that's the fundraising letter that as I understand it was around May of 2003 that I believe generated Mr. Zempke's complaint. Are you familiar with that letter at all Dave?

HAWTHORNE: I've seen it. We received a copy at my office. Apparently we are on the mailing list.



YOUNG: And other than you initial discussions with Tim about some of the other, the fundraising letter we referred to in Exhibit 1, did you have any subsequent discussions with Tim about this letter or any other fundraising letters and let's limit it to 2003?

HAWTHORNE: On this particular letter he and I did not discuss the content of it as I recall. So, and I'm not sure if there has been any subsequent letters after this. And then any other letters, I'm not sure if there were any other letters in 2003 or not. It seems to me there has been I think three gift request letters and two of those three, the first one and I think the second one he and I discussed as to content. And this third, I'm assuming this is the third one, we did not discuss. At least that I recall.

YOUNG: And the very last portion down at the bottom, for lack a better word I will call it a disclaimer. "gifts to Tim Eyman, Taxpayer Advocate, are not political donations but are for a legal defense fund so contributors name, addresses, and amount of financial support will be anonymous." Did you have discussions with Tim about that type of language to include there?

HAWTHORNE: Only in previous letters. That in order to continue to follow the August 14<sup>th</sup> 2002 letter from the Public Disclosure Commission we were trying to make it very clear to the people receiving this that it was not a political contribution. Or that's what he was trying to do and so as a result when he had asked me in the past. This particular letter, as I noted, I didn't have any input on that I recall.

YOUNG: Turning your attention to Exhibit 7, the letter from John White, Attorney at Law, are you familiar with that letter?

HAWTHORNE: It appears that I have received a copy as a cc. I'm aware of the renting of the campaign list from the PAC in that it showed up on some Public Disclosure reporting that we did for the PAC. I don't recall seeing this letter but I was aware of the instance.

YOUNG: Did you have discussions with Tim about paying for the mailing list from Permanent Offense PAC or coming up with a fair market value for that?

HAWTHORNE: Yes. He talked to me about an amount and I told him that he should contact the mailing house to find out normally what charge would be to, a fair price if they were to have sold or I guess rented a list to any other organization and I believe that's where the amount came from. It was from confirmation from, you used the name earlier Data Resources or whatever that is. So it was discussed and that a fair market value was to be arrived at because of the nature of the relationship.

YOUNG: And Tim was on board with those recommendations or discussions?

HAWTHORNE: Yes.

YOUNG: Did you have any discussions with John White regarding this at all?

HAWTHORNE: No I did not.

YOUNG: Okay. Although if you did those probably would have been covered by attorney/client.

HAWTHORNE: Yeah. And if I did I certainly don't recall discussing it with him. John and I didn't talk much after the settlement was done. We had no cause to.

YOUNG: Was, did you have any discussions with Tim recently about renewing that list or renting an updated list from Voters

Deserve a Choice PAC it would be rather than Permanent Offense now, was there any discussion about renewing...

HAWTHORNE: No we haven't discussed anything about the list since the initial acquisition of it.

YOUNG: Okay. I also handed out exhibit 8, that was a two page spreadsheet that identified, are you familiar with Exhibit 8 at all Dave?

HAWTHORNE: I believe yeah I've seen it or some facsimile of this.

YOUNG: Did Hawthorne and Company participate in the preparation of this document at all?

HAWTHORNE: No, not at all.

YOUNG: Tim made a copy available to you?

HAWTHORNE: Yeah. I believe he faxed a copy to our office is where I saw this.

YOUNG: Looking down on the first page it shows expenditures, or expenditures from gifts for the legal defense fund between August 2, 2002 through June 12, 2003. Other than the payments to Hawthorne and Company, did you have any discussions regarding any of those expenditures prior to them being made?

HAWTHORNE: No. Not that I recall.

YOUNG: And on the second page of that it also lists expenditures from February 19, 2002 beginning with the retainer that was paid to Appel & Gluek to the June 12, 2003 payment to Hawthorne and Company. It appears that some of these are duplicates. Do you have knowledge as to the overlap between the two, I guess worksheets for lack of a better word?

HAWTHORNE: No. Without speculating although it looks like they were compiled for two separate purposes.

YOUNG: Okay. But other than that you didn't have any discussions with Tim about the preparation or why one was included in one list or the other?

HAWTHORNE: No. No input.

YOUNG: Okay. I guess I could just point out on that second page the payments down to Forman and Archer on August 1, 2002, appear to have been paid from Permanent Offense Inc., and then after that point there were money orders from the defense fund?

HAWTHORNE: Actually there were two payments subsequent to the Permanent Offense Inc., payment. It looks like were paid according to this by Tim Eyman via money order.

YOUNG: And were those what we talked about earlier? The ones that were reimbursed?

HAWTHORNE: Yes. I believe those were reimbursed.

YOUNG: Okay.

HAWTHORNE: And then beyond that I appears from this that the rest of the monies were paid from the legal defense fund.

YOUNG: And did you have discussions with Tim about using a money order or was that some type of stipulated agreement that they worked out through the courts?

HAWTHORNE: I don't know why he used a money order.

YOUNG: Okay. Any other comments on Exhibit 8?

HAWTHORNE: Nope.

YOUNG: Okay. Lastly we'll discuss Exhibit 9. I've described that briefly at the top of the heading it says voluntary gifts used for legal defense fund. Initial deposit shows March 4<sup>th</sup> of '02 and then a number of deposits that were made on July 30<sup>th</sup> 2002 running through June 12, 2003. Are you familiar with this document?

HAWTHORNE: I believe this was also faxed to our office at some point and I've seen it once.

YOUNG: And again you testified earlier that Hawthorne and Company didn't have any role in the making of the deposits or the receiving of the donations to the legal defense fund as far as processing those is that correct?

HAWTHORNE: That is correct.

YOUNG: Did you have any discussions with Tim about, under PDC law we have 5 business days to hold a contribution, obviously if the funds were truly for legal defense purposes we wouldn't have any oversight. Was there any discussions with Tim about how long he would hold funds or when he would made deposit or anything that?

HAWTHORNE: No. No discussions. Since we had been following the guidelines that were set forth from the August 14<sup>th</sup> letter, we had essentially cast aside the PDC rules is you will because there were no rules related to this because we were following the guidelines. Or Tim was following the guidelines and we were advising him under those guidelines. So I guess from that it's kind of a circular pattern. If there is no rules you don't follow the PDC rules because the PDC rules don't have any purview over the defense fund as long as we follow the rule to stay outside of the, or within the requirements if you will of the letter that was written. So no discussion was ever had related to that because we went with Tim in our advice he was staying within the boundaries that were given.

YOUNG: Did you have any discussions with Tim about if the fundraising was very successful for the legal defense fund and you generated a large, for lack of better words, a surplus

in there of funds, did you have any discussions about how to treat those surpluses?

HAWTHORNE: The only discussion we had was that Tim was to monitor the amounts received in relationship to the expenditures. And if it appeared that he was approaching a surplus or going to approach a surplus that then we would cross that bridge when we came to it. He was, actually, he was pretty sure that he wasn't going to cross the threshold. I was actually surprised at how much came in ultimately. And so, but we had discussed if this happened we need to talk and that's as far as we went.

YOUNG: So you never got to that discussion?

HAWTHORNE: No. He was pretty certain that he was not going to cross the line.

YOUNG: Okay.

HAWTHORNE: and I think at this point I don't believe he has. If what I'm seeing here his correct.

YOUNG: Okay. Is he planning to continue fundraising as far as you are aware?

HAWTHORNE: I don't know. I think this has a bearing on what happens in the future. This whole process now.

YOUNG: Did you have any discussions about whether the legal defense fund would be used to defend initiatives in court as well our would it be strictly for more of the personal type of legal defense fund issues that he's been incurring.

HAWTHORNE: It was my understanding that this was specifically for the expenses incurred by Tim himself related to both the settlement in the claim last year and the now this whole issue he's incurring some costs related to defending the legal defense fund as well. So anyway that was, from what I

had talked with him about that was his whole intent. Nothing to do with any future initiatives or past initiatives or failed or passing initiatives.

YOUNG: And lastly with regard to, I guess are you aware that they have created a PAC for a compensation fund?

HAWTHORNE: Yes, I am aware of that.

YOUNG: And is Hawthorne and Company doing the reporting for that as well?

HAWTHORNE: As far as I know. I think we filed the C1pc to create that PAC. I'm not sure if there has been any additional activity since then. I think they intend to use our services to do the reporting.

YOUNG: And again based on our August 14<sup>th</sup> letter has it been made clear to Tim that the compensation fund and the money raised for the legal defense fund are separate and completely different issues?

HAWTHORNE: Oh yes, very clear. In fact that's why the compensation fund was registered as a PAC. That they will raise funds, it's very clear what they are raising funds for and that it will all be reported to the Public Disclosure Commission from that standpoint. For both incoming contributions and any funds that are paid out.

YOUNG: And lastly I've probably asked this question for the third time, its probably the last question we will have, are you aware of any of the legal defense fund being used to pay Tim for either compensation or to allow him to work on initiatives or to pay for family related expenses?

HAWTHORNE: No. None of the above.

YOUNG: Anything else you would like to add or comment on the record?

HAWTHORNE: Nothing that I haven't already said.

YOUNG: Okay. The time is 11:10 and we're going to end the interview with Dave Hawthorne. Dave I appreciate you coming in today and voluntarily making yourself available for this interview.

HAWTHORNE: You bet. Thank you Kurt.



**PDC Interview of Tim Eyman  
by Kurt Young**

July 31, 2003

Tukwila, Washington

*Tape 1, side A*

YOUNG: This is the Public Disclosure Commission, the statement of Tim Eyman in PDC Case 03-244. The time is now 11:40, the date is July 31, 2003. I am Kurt Young with the Public Disclosure Commission. This statement is being recorded at the regional offices of Labor and Industries in Tukwila and Linda will administer the oath at this time.

HAAPALA: Please raise your right hand. Do you promise that the answers you are about to give are the truth, the whole truth and nothing but the truth?

EYMAN: Yes.

YOUNG: Thank you Linda.

HAAPALA: Thank you.

YOUNG: And Tim do you understand that this statement is being recorded?

EYMAN: Yes.

YOUNG: And for the record and voice identification please state your full name and spell your last name.

EYMAN: Tim Eyman E-Y-M-A-N

YOUNG: And can you give a business address?

EYMAN: 11913 59<sup>th</sup> Ave West, Mukilteo.

YOUNG: And a work telephone number.

EYMAN: 425-493-9127.

YOUNG: And this is a case involving a complaint filed by Steve Zemke. When did you start making efforts to create a legal defense fund?

EYMAN: Well shortly after the, shortly after last year people started sending me checks to help me with my legal troubles and it was only as of

early June of 2002 that I actually proactively sent out letters asking for help.

YOUNG: So those early letters were unsolicited?

EYMAN: That's correct.

YOUNG: And prior to sending out the fundraising letter did you have discussions with Dave Hawthorne or others regarding the legal defense fund?

EYMAN: Yes.

YOUNG: Was it just Dave or was there other?

EYMAN: John White, who is one of the attorneys.

YOUNG: What was the nature of those discussions? Let's first start with Dave Hawthorne.

EYMAN: Just to be able to follow the rules as far as doing a legal defense fund to help me with my legal problems.

YOUNG: And would that have been around June of '02?

EYMAN: June of '02.

YOUNG: How about with John White?

EYMAN: It would have been around the same time. We wanted to get a draft of a letter drafted before he got involved.

YOUNG: And did you bring up the issue of creating a legal defense fund to them?

EYMAN: Yes.

YOUNG: Did you have discussions with Jack or Mike Fagen at all regarding a legal defense fund at that time?

EYMAN: Probably but I don't know the details of it.

YOUNG: Would those discussions also have been held with Monte as well?

EYMAN: Probably but I don't remember any.

YOUNG: And so did you seek out advice from Dave Hawthorne regarding the legal defense fund?

EYMAN: Yes. And I must have talked with Jack, Mike and Monte because I

ended up renting the list for the, for use so I must have talked to them about that.

YOUNG: And we'll talk about that in a little bit as an exhibit, but thank you for clarifying that. Did those discussion with, specifically more with Dave Hawthorne, did those lead to you writing a fundraising letter for the legal defense fund?

EYMAN: Yes.

YOUNG: And you already have a copy but I'll give you...

EYMAN: I don't have it here in front of me.

YOUNG: ...I've marked Exhibit 1 here and it's a letter from Tim Eyman addressed "Dear Fellow Taxpayers" it was sent to the Public Disclosure Commission on August 7, 2002. Tim I assume you're familiar with this letter.

EYMAN: Uh-huh.

YOUNG: And did you discuss this letter with Dave Hawthorne or John White prior to it being sent out?

EYMAN: This isn't the first letter I sent out.

YOUNG: Okay. Was there, I guess to back up maybe you can give us some detail about the first letter that might have went out that we don't have a copy of.

EYMAN: That you don't have a copy of. The first letter that was sent out, well it was, it spurred your complaint so you must have it. What I'm saying is that the original complaint was as a result of my first letter and so this is the second letter and so you must have a copy of the original.

YOUNG: Okay. And do you know how many people this letter was sent to? Roughly.

EYMAN: I think it was over 20,000.

YOUNG: Okay. And did you run this by, this letter by Dave Hawthorne or John White prior to it being distributed?

EYMAN: Yes. Not this one but the one that was sent out the first time, yes.

YOUNG: At the bottom on the second page of this letter, if you'll just take a look here. The disclaimer down at the bottom, the last sentence "Gifts to Tim Eyman, Taxpayer Advocate, will be used to help Tim Eyman resolve his current financial challenges." Can you describe what those financial challenges were?

EYMAN: As the letter to the PDC dated August, date, faxed to the PDC at 3:30 p.m. on August 13<sup>th</sup> I sent a letter that said that in our phone conversation you said that my second letter did not specifically mention legal costs. My letter makes clear that gifts would be used to help me with my "current" financial challenges. I think my supporters are fully aware of my financial challenges, the press has done a good job reporting on my financial dilemma. So the original letter which you claim not to have, is, makes clear exactly my current financial challenges and as I said the press had made that clear as well.

YOUNG: And were those attorney fees and penalties?

EYMAN: Yes.

YOUNG: Were there any additional financial challenges or was that the sum of it?

EYMAN: That was the sum of it. You have been provided with a list of all of the expenses that have been incurred that I am referring to.

YOUNG: And did Dave Hawthorne discuss with you that the legal defense fund activities were not reportable to the PDC?

EYMAN: I got a letter from John White dated June 26<sup>th</sup> where he talks about him reviewing the draft of the solicitation letter and the second sentence of the letter reads, "this solicitation does not involve reporting to the Public Disclosure Commission because it is from you as an individual, not from a political committee. The Disclaimer is also fine."

YOUNG: And that has been marked as Exhibit 7, a June 26, 2002 letter. Is that correct?

EYMAN: Yes.

YOUNG: And on there...

EYMAN: I don't know if has been marked as an exhibit but I do have a letter from him.

YOUNG: It appears that Dave provided you with a list of all of the exhibits so I'll go ahead and jump to Exhibit 7 since we discussed that and I'll identify that for the record. It's a June 26<sup>th</sup> 2002 letter from John White, an attorney with the law firm of Livengood, Carter, Tjossem, Fitzgerald & Olskog, addressed to Tim Eyman and regarding the legal defense fund solicitation and that statement that you read earlier, that was from the letter. Is that correct?

EYMAN: Yes.

YOUNG: And on that June 26<sup>th</sup> letter, Exhibit 7, it's got a, it looks like a handwritten memo "on June 30<sup>th</sup> I rented the campaigns list for one years use for \$850." Is that your handwriting?

EYMAN: Yes. I faxed this letter with the handwritten note on it, I faxed it to the PDC.

YOUNG: And what prompted this letter from John White? Was it your discussions with Dave Hawthorne or was it discussions with John White? Or do you recall.

EYMAN: I had sent him a copy of the letter and asked for his advice on whether or not it was fine.

YOUNG: And did you have discussions with Monte, Jack and Mike prior to sending this letter about renting the list from the committee or did this issue come up at this time?

EYMAN: Yeah, I had discussed with him the fact that as David pointed out I didn't own the list that the list was owned by the campaign and that I would need to get the campaigns permission in order to be able to

use it. And that I would have to pay something for it. They offered to give it to me for free but I was trying to bend over backwards to do it correctly and they said that according to Hawthorne it would be much more appropriate to rent it.

YOUNG: And how did you come up with that \$850 value?

EYMAN: I called Data Resources which is the mail house that we use and tried to come up with a number that was comparable.

YOUNG: And Monte, Jack and Mike felt that that was an acceptable amount?

EYMAN: Yes.

YOUNG: It indicates on the letter that the list was rented for one year. Are you planning on renewing that list or do you have your own list now that you work off of.

EYMAN: No final decisions have been made but yes, I have a list now from the people who have donated in the past.

YOUNG: Any discussions about renting a current list from Voters Deserve More Choices?

EYMAN: No.

YOUNG: Okay. And did you have any follow up, I guess I want to be clear, was John White serving at all as an attorney for you personally in this issue or any other issue? Because I don't want to get into any attorney/client privilege.

EYMAN: Well I sent you the letter so its obvious that I ended up putting that on the table and as he mentioned in his letter the only concern he had was concerning the PAC mailing list. And so reflecting those concerns that's the reason the list was rented.

YOUNG: Did you have any follow up discussions with John White after this initial correspondence?

EYMAN: No.

YOUNG: And did you have discussions with Dave Hawthorne regarding

activities that could be reportable to the Public Disclosure Commission from the legal defense fund?

EYMAN: Well he just made it clear that everything needed to be kept separate and we subsequently got some extra advice from the PDC thanks to several subsequent letters in August.

YOUNG: And why don't we go ahead and introduce that batch right now of, I'll pass those to you and let you familiarize yourself with them or you may already be familiar. I've handed Tim Exhibit 2, it's an August 13, 2002 letter from the Public Disclosure Commission to Tim Eyman. It's a two-page letter signed by Phil Stutzman. I've marked Exhibit 3, it's a one-page exhibit dated August 13<sup>th</sup> 2002, it appears to be a fax from Tim to the Public Disclosure Commission. Exhibit 4 is also a one-page document. That is an August 14<sup>th</sup> 2002 fax as well to the PDC from Tim Eyman. And then lastly I've marked Exhibit 5 and that's the Public Disclosure Commission response to the August 14<sup>th</sup> or the August 13<sup>th</sup> fax. It's a two-page letter to Tim Eyman from Phil Stutzman, Director of Compliance. Tim are you familiar with these documents?

EYMAN: Yes.

YOUNG: If we could start with the August 13<sup>th</sup> fax from you, Exhibit 3.

EYMAN: Yes.

YOUNG: What lead to you sending this fax?

EYMAN: Because I had learned that the Public Disclosure Commission tends to release information to the press and I was eager to respond to the fax as soon as possible given the fact that I seem to get slimed in the press before I have a chance to respond. So I faxed at 3:30 p.m. to the PDC a letter that was cc'd to all of the members of the press making it clear that I had had a phone conversation with everyone at the PDC at 2:00 p.m. that same day. And wanted to find out what the concerns were and that's what

prompted the subsequent fax to the PDC. Making sure that I could end up responding quickly enough in order to be able to respond to the PDC's charge.

YOUNG: And in the second sentence I'll just read into the record, it says "here's the further explanation you requested, voluntary gifts by my supporters to Tim Eyman, Taxpayer Advocate, are being used to help offset the cost of the state's lawsuit against me. In our phone conversation you said that my second letter did not specifically mention the legal costs. My letter makes clear that gifts would be used to help me with my current financial challenges." It goes on to state that "the first letter that was sent to the same supporters made clear that the gifts to Tim Eyman, Taxpayer Advocate would be used to help me offset the substantial costs associated with my legal defense." Again, those would be attorney fees and subsequent penalties. Is that correct?

EYMAN: That's correct. As provided to the PDC. I have provided all of the expenses that were incurred at that time. And subsequent to it.

YOUNG: And in the third paragraph there it starts "in the unlikely event that more funds are gifted than the cost of the legal and accounting expenses and financial penalties associated with this lawsuit, I will not spend those dollars on any politically related activity subject to your disclosure requirements." And just to reiterate those are your words, is that correct?

EYMAN: Yes.

YOUNG: And then the August 13<sup>th</sup> letter was in response to that...

EYMAN: And the final sentence of the letter mention the fact that I was extremely thankful that so many of my supporters were willing to help me with those financial expenses regarding the state's lawsuit.

YOUNG: Okay. And then in a follow up to that, the Public Disclosure Commission sent you a letter on August 13<sup>th</sup> 2002. Is that correct?



EYMAN: Possibly August 14<sup>th</sup>? Oh, well we started with the August 13<sup>th</sup> letter then we did the August 13 response, then you did an August 14<sup>th</sup> letter and then my August 14<sup>th</sup> response. So you show that there were two letters sent on August 13<sup>th</sup>?

YOUNG: One on the 13<sup>th</sup> from us and one from the 14<sup>th</sup>. If we could on the focus on the 13<sup>th</sup>.

EYMAN: We're doing the 13<sup>th</sup>, okay, the first one.

YOUNG: Yeah. And in there in the third paragraph we say in our August 13<sup>th</sup> letter is "your solicitation letter as presently written PDC staff believes that your letter appears to solicit contributions designed to enable you to continue your efforts of supporting initiatives including initiatives to the Legislature." And it goes on on the second page, next to the last paragraph "However if the financial support sought in your August 7<sup>th</sup> letter is solely for the purpose of paying legal expenses and not to pay you or your family's personal expenses the payment of which will enable you to spend time assisting or promoting ballot measures, campaigns or initiatives to the Legislature, then those monies raised and spent for legal expense purposes are not reportable under the Public Disclosure Law." Are you familiar with that advice that we provided you?

EYMAN: Yes.

YOUNG: And did you discuss that with Dave Hawthorne?

EYMAN: I sent off a fax a couple hours later and I'm not sure if I discussed specifically with him, but I would be surprised if I wouldn't have talked with him about it.

YOUNG: And were you clear in your mind as to the advice that we were providing in that August 13<sup>th</sup> letter?

EYMAN: Yes.

YOUNG: And then as a follow up we, on the 13<sup>th</sup> at the end of that letter, we say "if all of the funds received from your solicitations are being

used to pay legal expenses please confirm this fact in writing. Also please indicate whether any of the funds in excess of your legal costs will be used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature." And that's accurate as well?

EYMAN: Yes.

YOUNG: And then what we marked as Exhibit 4 would be the fax that you sent to us on the 14<sup>th</sup>. Is that correct?

EYMAN: I believe the fax that I sent to you at 8:00 a.m. was in response to, which came first the chicken or the egg, what was the fax from you on August 14<sup>th</sup> before or after the August 14<sup>th</sup> fax that I sent to you?

YOUNG: I think your fax on the 14<sup>th</sup> was in response to our August 13<sup>th</sup> letter.

EYMAN: I was. Oh, I see. And then there was a subsequent letter after this from me I believe. Do you have that?

YOUNG: Just the one that, all it did was, it was a fax cover page that just said we understand, yeah there's the one we're talking about. Exhibit 4.

EYMAN: Okay. Very good. Start from, which one are we looking at again? I'm sorry.

YOUNG: Exhibit 4. That's fine.

EYMAN: My fax to them at 8:00 a.m.

YOUNG: Yeah and then in Exhibit 4 you indicated on the 14<sup>th</sup> that you were in receipt of our letter dated August 13<sup>th</sup> and you were again formally confirming that the voluntary gifts requested in your August 7, 2002 letter were going towards a legal defense fund to help you offset legal costs. You go on to state "as we are aware those costs were substantial." And as you explained in your letter to the PDC yesterday you stated "in the unlikely event that more funds are gifted than the costs of the legal and accounting expenses and financial penalties, I will not spend those dollars directly or indirectly

to support or oppose any candidate, ballot measure or initiative to the legislature." You go on to state again "receipt of those excess gifts is very unlikely" and you go on to thank your supporters who have chosen to voluntarily help you. Is that an accurate description of that correspondence?

EYMAN: Yes, it is.

YOUNG: And then as a follow up to that then we sent the letter on August 14<sup>th</sup> which I've marked as Exhibit 5. And I want to spend a little bit of time going through this. You're familiar with our August 14<sup>th</sup> letter?

EYMAN: Yes.

YOUNG: And in that letter we, maybe if we just go point by point. We indicate that we "thank you for your memo and the facsimile you responded clarifying your August 7<sup>th</sup> solicitation." And we go on to say that "it is our understanding that the financial support sought in your August 7<sup>th</sup> 2002 letter is solely for the purpose of paying legal expenses and not to pay you or your family's personal expenses. The payment of which would enable you to spend time assisting ballot measures, campaigns and/or initiatives to the legislature." And you're familiar with that advice that we provided?

EYMAN: Yes.

YOUNG: Did you discuss that issue, or have you and Dave Hawthorne had discussions regarding that issue?

EYMAN: Yes.

YOUNG: And what was the nature of those discussions?

EYMAN: He said the same thing you said.

YOUNG: And that was that the legal defense fund was set to what?

EYMAN: For legal expenses.

YOUNG: And that no personal expenses for your family or you would be paid from that. Is that correct?

EYMAN: That is correct.

YOUNG: And also that the payment of those expenditures would not allow you to spend time assisting or promoting ballot measures or initiatives to the legislature.

EYMAN: Yes.

YOUNG: Then in the second item we indicate that "all of the funds received from your solicitations to help pay legal expenses are and will be used solely to pay legal expenses." Is that correct?

EYMAN: Yes.

YOUNG: And did you have Dave Hawthorne regarding that as well?

EYMAN: Yes.

YOUNG: And then the third one we indicate "none of the funds received in excess of your legal costs will be used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature." Is that accurate?

EYMAN: Yes.

YOUNG: And you had discussions with Dave regarding that as well?

EYMAN: Yes.

YOUNG: And then lastly we go on to state that "you are aware and appreciate that if funds received from your solicitations are used directly or indirectly to support any candidate, ballot measure or initiative to the legislature then those monies raised and spent must be reported in accordance with PDC Law Chapter 42.17 of the RCW." Is that also accurate?

EYMAN: Yes.

YOUNG: And you were aware of that and had discussions with Dave Hawthorne as well?

EYMAN: Yes.

YOUNG: And, other than your conversations with Dave Hawthorne and then subsequently John White, did you have discussions with other legal

counsel regarding the legal defense fund?

EYMAN: No.

YOUNG: No discussions with Bill Glueck or?

EYMAN: No, no. I made an assumption that the Public Disclosure Commission wasn't purposely trying to sabotage me by giving me bad advice. I assumed they were giving me good advice.

YOUNG: And did you seek to get our written advice on that or did Dave Hawthorne recommend you do that? How did that come about?

EYMAN: Ask the question again.

YOUNG: Did you decide to seek out the written advice from the Public Disclosure Commission?

EYMAN: No. You had started an investigation on my, by the fact that I had sent a letter. And as a result of a newspaper clipping apparently.

YOUNG: And so then you decided to send us a copy of the fundraising letter and then the subsequent phone conversation that you set up?

EYMAN: No. You already had a copy of it.

YOUNG: I'm not sure what fundraising letter you keep referring to there. This is the only one that I have of August 7<sup>th</sup>.

EYMAN: You made clear in your own letter that the that "all of the funds received in your solicitations to help pay legal expenses including funds received from a letter sent approximately one month ago, the letter sent August 7<sup>th</sup> and any similar letters sent in the future." So you're referring to it in your own August 14<sup>th</sup> letter.

YOUNG: Yeah. We received this on August 7<sup>th</sup> but you indicated that you had sent it a month earlier.

EYMAN: No. There was another letter sent prior to that one.

YOUNG: Well I don't know what investigation you're talking about. We didn't do an investigation into this matter until just now.

EYMAN: No. You did an investigation last year that did a pretty good job of promoting in the newspapers and I was commented on several

times in several of the newspapers last year.

YOUNG: Was it a complaint you're saying?

EYMAN: No, you were raising questions and bringing it up in the press without actually doing an investigation.

YOUNG: And so you had then sought out our advice then based that is that correct?

EYMAN: No. You had simply slimed me in the press and so I decided that subsequent to that this particular letter ended up raising to the point where you ended up asking questions about it so we ended up doing it through this process of going back and forth with letters.

YOUNG: So you ended up asking us to put something in writing for you?

EYMAN: No. You had sent me a letter on August 7<sup>th</sup>, August 13<sup>th</sup> telling me that we were also talking about "a letter from the desk of Tim Eyman. On August 7<sup>th</sup> the PDC received a copy of your letter addressed to Dear Fellow Taxpayer, the letter solicits gifts and states in part etc., etc., etc." So I was responding to your August 13<sup>th</sup> letter.

YOUNG: What types of costs did you anticipate incurring and making from the legal defense fund?

EYMAN: All of the expenses have already been delineated on information that I have provided to you but...

YOUNG: Do you want to put those on the record? What those types of expenses would be?

EYMAN: Lawyers, Accountants and fines.

YOUNG: And when you set up the legal defense fund did you seek the advice of David Hawthorne?

EYMAN: Yes.

YOUNG: And did you guys come up with any kind of goal or amount that the legal defense fund had target for raising?

EYMAN: No.

YOUNG: Did you have any amount in your mind that you thought might be able to raise from your supporters?

EYMAN: No.

YOUNG: Did you discuss with Dave the types of expenditures that would be appropriate to be made from the legal defense fund?

EYMAN: Of course.

YOUNG: And was that based on our August 14<sup>th</sup> letter?

EYMAN: Yes.

YOUNG: And so you had discussions with Dave based on our letter what activities could potentially be reportable to the PDC from the legal defense fund?

EYMAN: Yes.

YOUNG: And what types of things did you guys discuss that could be reportable?

EYMAN: That could be reportable. What would be reportable or what would be expensable?

YOUNG: Let's first start with what types of activities would be reportable to the PDC?

EYMAN: Anything that wouldn't have to do with legal expenses.

YOUNG: So would that be work on initiatives?

EYMAN: We have a separate political action committee that handles those expenses. This was set up exclusively for my legal expenses.

YOUNG: But if you had used any legal defense funds to do initiative work, those types of activities would be reportable.

EYMAN: They wouldn't have been done in the first place. They would have been expensed on the political action committees account.

YOUNG: But did you have discussions with Dave that if you did undertake initiative work with legal defense fund monies that those monies would be reportable to the PDC?

EYMAN: We made it very clear that everything needed to be absolutely

separate. That it was exclusively meant to be used for my own legal expenses. That's all it was ever used for.

YOUNG: And what types of things did he say wouldn't be permissible expenditures from the legal defense fund?

EYMAN: Anything besides lawyers' expenses and also I forgot to mention the cost of advertising and mailing out letters to our supporters. That that would be an appropriate expense as well.

YOUNG: Did you discuss the issue of if the legal defense fund paid you personally?

EYMAN: The sole goal of the legal defense fund was for my legal expenses. That's all it was ever there for.

YOUNG: But had you had discussions with Dave regarding the issue of the legal defense fund paying you for non-legal defense fund related items?

EYMAN: It was made clear from the beginning that I couldn't use it for anything else except for to cover my legal expenses.

YOUNG: And that included what kinds of things?

EYMAN: Anything but lawyers' fees, accountant fees and the cost of sending out letters to supporters. I couldn't use it for anything else and that's what, exactly what I ended up doing. And you know that because you have been provided all of the information on what I spent the money on.

YOUNG: So has the legal defense fund made any payments to you for fundraising purposes?

EYMAN: The...

YOUNG: Other than a reimbursement.

EYMAN: Yeah, you've got all of the information in front of you as far as what the activity has been on the account and its been fully prepared by me personally so everything that I have provided you is the activity from the legal defense fund.



YOUNG: Yeah I need to have you answer on the record that there is nothing in addition to that.

EYMAN: There is nothing in addition to that. Everything that has been provided in writing is everything that has been done. I notice you don't have an exhibit of what I provided to you so I am not able to resuscitate every single thing that's on there but...

YOUNG: Well I do have an exhibit and we'll get to that in a minute, but I'm asking you. Have you received any payments from the legal defense fund for consulting services?

EYMAN: No.

YOUNG: Have you received any payments from the legal defense fund for the drafting or work done on any of the legal defense fund fundraising letters?

EYMAN: No.

YOUNG: Have you received any payments from the legal defense fund as compensation or other types of consideration?

EYMAN: No.

YOUNG: Has the legal defense fund made any payments to Permanent Offense Inc., other than what we'll discuss a little bit further down the road for reimbursement of legal defense items.

EYMAN: No.

YOUNG: Let's go ahead and jump to what I have marked as Exhibit 8 right now. And I'm handing that out to Tim. It's a two-page document that looks like it's a spreadsheet or a worksheet. On the first page its expenditures from gifts used for legal defense fund. It says as of 6/12 which I assume is 2003.

EYMAN: That's correct.

YOUNG: And the second page also lists some additional expenditures. Are you familiar with these documents Tim?

EYMAN: Yes. I prepared them.

YOUNG: Okay. And can you describe the first page? What those types of activities are that are listed there?

EYMAN: They were, as the caption reads, expenditures from gifts used for legal defense fund as of 6/12.

YOUNG: And so these were expenditures that were made from donations that were given to you by supporters?

EYMAN: Yeah. This was all of the account taken directly from the bank statements which you have copies of as well.

YOUNG: And which account is that? I don't need an account number, I'm sorry. I'm just...

EYMAN: You asked for the activity that had occurred from the account and monies that were paid out and so I provided a list, a summary for you on this particular sheet. You could look on each individual bank statement, but I figured that would be a hassle so I tried to prepare a summary.

YOUNG: I appreciate that. And since this began on August 2, 2002 was that when this separate account was created? Or do you know when this account was opened?

EYMAN: No. As the, what did I provide you with. Shortly after February the, several...

YOUNG: Let me stop you for just a second, I'll hand out an additional exhibit, the other spreadsheet and maybe that will help you. I have also marked as Exhibit 9, it's a two-page document. A worksheet similar, up at the top its voluntary gifts used for legal defense fund as of 6/12 and the second page goes on to list additional deposits and then at the bottom of the second page or the second half of the second page it talks about net gifts raised for legal defense.

EYMAN: Yes. Thank you.

YOUNG: Are you also familiar with exhibit 9?

EYMAN: Yes. I prepared it.

YOUNG: And these are deposits that you made yourself?

EYMAN: Yes.

YOUNG: Does this indicate on here, looking at this, the first deposit was made on 3/4/02. Was that when that account was initially opened? Or do you recall?

EYMAN: No. It was an existing savings account that did not ever have any activity in it prior to that and so I had received some gifts like in mid February and didn't know what to do with them and then eventually got a hold Dave and said what do I do with this stuff. He said just put it into a separate account and keep it separate and just make photocopies of the checks and just keep track of everything. And so the, on March 4<sup>th</sup> 02 must have been the first time I made a deposit on that account.

YOUNG: And were those then gifts, had those been solicited or were those unsolicited?

EYMAN: Yeah at that point it was unsolicited.

YOUNG: And was that, were those received based on our February complaint?

EYMAN: Yes. Yeah once again the press did a pretty good job of letting the world know about my situation and so some people wanted to help.

YOUNG: And then it also lists some bank interest, which we won't get into, but it listed additional deposit on May 23<sup>rd</sup> for \$350. Was that also for unsolicited donations as well?

EYMAN: Yes it was.

YOUNG: Do you know when, well it looks like there was a number of deposits made on July 30<sup>th</sup> 2002. Was that in response to your solicitation?

EYMAN: Yes.

YOUNG: And are those funds received at your home or at a PO Box?

EYMAN: At my home.

YOUNG: And do you, who, how are those donations processed?

EYMAN: I go to the mailbox, grab the envelopes, open them up, take the checks, try and sort them by amount, photocopy them and then make a deposit into the checking, into the savings account I apologize.

YOUNG: Oh that's fine. And you do all of that yourself personally?

EYMAN: Yes.

YOUNG: And you have somebody data enter those is that correct?

EYMAN: That's exactly right.

YOUNG: And who would that be?

EYMAN: That would be Linda Perry and Steve Perry.

YOUNG: And do you, how do they get that list to input? Do you...

EYMAN: Photocopies of the checks.

YOUNG: So you send the checks over to them or mail them or give them to them in some way?

EYMAN: Uh-huh. Drop them off.

YOUNG: And how long would you typically hold funds before you make a deposit into that checking, is that a checking or savings?

EYMAN: Savings.

YOUNG: Savings, sorry, I'll get clear on that too.

EYMAN: Yeah, we'll work through that.

YOUNG: Okay.

EYMAN; But yeah it's a stand-alone savings account for this activity.

YOUNG: And do you typically hold funds for a certain number of days prior to deposit?

EYMAN: I think at first I was just trying to keep up and it kind of accumulated so that on July 30<sup>th</sup> it was quite a few individual deposits. Then subsequent to that I think I tried to make it on a weekly basis.

YOUNG: And at your home do you receive any funds at all for Permanent Offense PAC or anything to Voters Deserve a Choice or anything

like that?

EYMAN: Just so you know Voters Want More Choices.

YOUNG: Thank you.

EYMAN: No. No, everything that has to do with the political action committee is handled in Spokane. This was set up exclusively for me and so that's why I use my home mailing address.

YOUNG: If you were to receive any funds for the PAC would you forward that onto the PAC?

EYMAN: And vice versa. Yeah.

YOUNG: Okay.

EYMAN: So let's be clear. If any donations came that were made out to one of our initiatives, those checks were then put into an envelope and then mailed to Spokane. In the event that in Spokane they had someone receive or the PO Box would receive a check for my legal defense fund they would then put that in an envelope and mail that over to me.

YOUNG: And just to be clear on the record, have you deposited any PAC contributions into the legal defense fund?

EYMAN: Never.

YOUNG: And do you know how many solicitation letters you sent out from the legal defense fund?

EYMAN: I don't but I would guess between 5 and 10.

YOUNG: And on the second page of the letter it looks like the subtotal of the voluntary gifts to the legal defense funds plus interest is \$132,170.14 as of June 12, 2003. Is that an accurate representation?

EYMAN: Yes.

YOUNG: And then also...

EYMAN: And these numbers were taken directly from the bank statements that you received copies of.

YOUNG: And have funds been received since the June 12<sup>th</sup> summary that you provided us?

EYMAN: Yes.

YOUNG: And are you continuing to receive donations to the legal defense fund?

EYMAN: Receiving voluntary gifts to the account, yes.

YOUNG: Have you done a solicitation since the June 12<sup>th</sup> summary that you provided us?

EYMAN: I'm not sure specifically but I think its possible I did. I think I did an email one, I'm not sure.

YOUNG: And then also we've got in addition to that you also included the cost of raising the gifts for the legal defense fund and detailed those as \$25,569.02 and it looks like that started June 30<sup>th</sup> of 2002 and has run at least through June 5<sup>th</sup> of 2003. Is that accurate?

EYMAN: Yes it is.

YOUNG: And those costs have been paid out of your personal account, is that also correct?

EYMAN: Either my personal account or from the legal defense fund itself and I've delineated which were which.

YOUNG: And we'll not in the column off to the far right, Tim's got paid by and he has indicated whether it was paid for by Tim personally, whether it was paid for by the legal defense fund and has provided the receipts and cancelled, actually the original checks which I hopefully you received that packet I sent back to you?

EYMAN: I did.

YOUNG: Excellent. Can you explain why in some instances you would use personal funds and sometimes you would use defense funds to pay those costs?

EYMAN: Well in the beginning there wasn't enough money in the account in order to be able to do so I provided my own personal funds for it

and then subsequent to that it eventually built up enough where I was able to use monies directly from the legal defense fund.

YOUNG: I don't, they didn't have any cups so I didn't bring any water in so if you need to take a break.

EYMAN: That's nice of you.

YOUNG: And those funds that you used personally to pay for the cost, are you anticipating you'll get reimbursed for those at some point?

EYMAN: Yeah I hope so.

YOUNG: Are you tracking those in any particular way or accounting for those as an obligation or a liability?

EYMAN: No.

YOUNG: You're just as you make an expenditure using personal funds you just might have the expectation that funds we made to get repaid?

EYMAN: Well once again the goal of the fund was to make sure to get myself out of the hole from the legal expenses and so that's been the goal all along and that's what I am going to end up doing.

YOUNG: And it looks like you've made a number of personal expenses for envelopes, mailing list and actually the cost of the mailing itself is that correct?

EYMAN: Yes.

YOUNG: Are you planning on billing the legal defense fund for your time spent writing those fundraising letters?

EYMAN: No.

YOUNG: How about for any other type of consulting for the legal defense fund? Are you looking to get payment or reimbursement for your personal time for that as well?

EYMAN: No.

YOUNG: Okay. And you've had discussions with Dave Hawthorne regarding that as well?

EYMAN: Yes. The page on Exhibit 8, page 2 of 2 makes clear that as of

June 12, 2003 the total amount of expenses was \$123,703 and so the net amount of money that I've raised is less than that.

YOUNG: And the 123 would be added to those other costs that you had personally incurred too is that correct? The, on page 2 of exhibit 8. I'm sorry, page 2 of Exhibit 9.

EYMAN: Two of Exhibit 9.

YOUNG: Those ones at the bottom there.

EYMAN: Yes.

YOUNG: I noticed some of the costs were, are there any duplicates there?

EYMAN: Each is dated differently so they are all separate expenses.

YOUNG: So it would be 123,703.73 incurred from the legal defense fund expenses and in addition you either paid from the legal defense fund or your personal and additional \$24,744?

EYMAN: I had simply looked at it as the total amount of voluntary gifts that were, that had accumulated but then you had to offset that total gross amount by subtracting how much it cost in order to raise that. So the net number of the gifts as of June 12<sup>th</sup> was \$106,000. And so you could do it the way you were doing it but I thought it was, that associating it with the cost of, would give you how much net gifts ended up coming in.

YOUNG: That's fine. Either way you've disclosed the expenditures.

EYMAN: What's that's stupid cliché 6 of one ½...

YOUNG: Dozen to another.

EYMAN: So yeah, if it's yeah you could say that it was \$147,000 - \$148,000 worth of overall expenses and overall amount of total gifts of \$132,000. That's another way to look at it.

YOUNG: Okay. Have there been any expenditure that were made prior to June 12<sup>th</sup> that haven't been listed in either of these two spreadsheets?

EYMAN: Would not. No.



YOUNG: Have there been any expenditures prior to June 12<sup>th</sup> that you haven't provided us documentation for?

EYMAN: None. Again everything provided on these spreadsheets was available on the bank statements that were sent to the Public Disclosure Commission and this was a summary in order to be able to talk intelligently about it.

YOUNG: Okay. If I could focus a little bit on the Exhibit 8 page 2.

EYMAN: 2 of 2?

YOUNG: Yeah. It shows first expenditures from February 19<sup>th</sup> '02 to it looks like a wire transfer on August 1<sup>st</sup> of 2002 were paid using checks for Permanent Offense Inc., and then one wire transfer from Permanent Offense Inc. Is that correct?

EYMAN: That's correct.

YOUNG: And can you explain why those expenses were paid from PO Inc.?

EYMAN: Why it was paid from PO Inc? Because the fees needed to be paid and the compensation in the Permanent Offense Inc., account was monies that I used for that.

YOUNG: And has the legal defense fund reimbursed those costs to PO Inc., at all?

EYMAN: Well you had asked for information prior to June 12<sup>th</sup> and as of June 12<sup>th</sup> they had not.

YOUNG: Since June 12<sup>th</sup> have there been reimbursements made to Permanent Offense Inc.?

EYMAN: Yes.

YOUNG: Would you know how much?

EYMAN: It would be the, I think the total amount there. Whatever the PO Inc. information totals out to be. If you want to do the math.

YOUNG: When we leave here today would you be able to maybe...

EYMAN: Well, if you just want to grab a calculator you can just add up the total amount but it looks like roughly \$60,000.

YOUNG: And...

EYMAN: Well let's do this. One 2/19/02 Appel & Glueck received \$25,000. Livengood, Carter on March 31<sup>st</sup> received \$4,100, then there was a \$7,300, then there was a \$7,600, then a \$4,600. Various expenses that were paid for from Permanent Offense Inc. have subsequently been reimbursed from the legal defense fund.

YOUNG: And what is Permanent Offense doing with those funds that have been reimbursed to them?

EYMAN: Funds that were in Permanent Offense that were paid back have been dispersed to me.

YOUNG: Personally?

EYMAN: Yes.

YOUNG: Okay. And has there been any revenue into the Permanent Offense Inc...

*Tape 1, side B*

YOUNG: I think I got cut off there. We just switched over to the second side of the tape and what we had asked was whether any deposits had been made into the Permanent Offense Inc., account other than the reimbursements just recently disclosed by Tim in 2003.

EYMAN: Let me see. Well I gave you all of the bank statements for 2002 and 2003 as per your subpoenas so you would be able to look that up. To the best of my knowledge there wasn't one in 2003. Although I did end up making a deposit into the account from me personally, into Permanent Offense Inc., I had like \$1,000 worth of change and so US Bank ended up accepting the deposit of the money into the account. So that was like \$1,000 or something.

YOUNG: Okay. And then on August 12<sup>th</sup> we have two expenditures listed to Snohomish County Superior Court for the penalties and fines. Were those initially paid by you personally?

EYMAN: Yes. But I think within a day the legal defense fund, I think the way

it worked was that the funds were in the legal defense fund and the funds were then, they wouldn't accept anything but a cashier's check and so I transferred the funds necessary into Tim Eyman's personal checking account so that I could then make out a cashier's check to pay for the two fines. So it came from the legal defense fund.

YOUNG: Okay. And those two fines were the \$50,000 for your personally and then the \$5,000 for Permanent Offense PAC. Is that correct?

EYMAN: That is correct, yes.

YOUNG: Okay. And have, so you've been reimbursed for those then?

EYMAN: The legal defense fund ended up paying for the fines.

YOUNG: Okay. And then the additional expenditures it looks like to Terry Miller and Livengood, Carter, were also paid for money orders, was that from the legal defense fund as well?

EYMAN: That's correct.

YOUNG: Okay. And if we could maybe just take a look at the first page of Exhibit 8...

EYMAN: First page of exhibit 8.

YOUNG: Getting a few of them spread out here. This is identified as expenditures from gifts used for the legal defense fund. You kind of broke it out into a couple of different documents. Can you maybe just describe page one of Exhibit 8?

EYMAN: Let me see. Well it's the expenditures from gifts used for legal defense fund. These were monies that, from the legal defense fund, that went to things relating to those expenses.

YOUNG: And just to identify on the record, one was it looks like the legal defense repaid you for the \$55,000 in penalties and fines. Is that correct?

EYMAN: Yes.

YOUNG: And then some additional legal expenses for Terry Miller and

Livengood Carter, some accounting services for Hawthorne and Company, and then some additional payments to Data Resources and Steve Perry for legal defense fund related expenses. Is that correct.

EYMAN: Yes.

YOUNG: The accounting services provided by Hawthorne and Company, was that solely for the legal defense fund?

EYMAN: Yes. That's a result of this complaint.

YOUNG: Nothing...

EYMAN: Which was \$1,065.

YOUNG: And none of that payment was for any work that Hawthorne would have done for Insignia or Permanent Offense Inc.

EYMAN: No. They are separate billing for all of them.

YOUNG: The idea for creating the legal defense fund, did that start once you had received the voluntary donations in March or had you entertained any thoughts about opening a legal defense fund prior to receiving those funds on March 4<sup>th</sup>?

EYMAN: Nothing prior to that and there was a letter that I had sent out to supporters or an email that might have been where they were offering to help me and I told them to hold off on doing that until the initiative that we were doing that were year had qualified for the ballot.

YOUNG: So is it fair to say that those unsolicited gifts prompted you to, that you might want to set up a legal defense fund? Is that accurate or did you, had you thought about setting up a legal defense fund?

EYMAN: Oh I see. What came first the chicken or the egg, there it is again. No, many people had offered to help me with those legal expenses and but I knew that it wasn't appropriate doing that during the signature drive and it was only after that period of time had completed that it was in early June of 2002 that I started going

through the steps of renting the mailing list and seriously talking about actually doing it.

YOUNG: Just to be complete here I will introduce the last exhibit here but we've covered everything so I don't mind skipping around. We've marked this as Exhibit 6 and this was a, I believe a May 2003 fundraising letter that you had sent out to Fellow Taxpayers and Supporters, is that correct?

EYMAN: Yes.

YOUNG: And to be clear, this was the fundraising letter that sparked the complaint from Mr. Zemke, is that also accurate?

EYMAN: Okay.

YOUNG: And is this similar to other fundraising letters that you had sent out to the legal defense fund?

EYMAN: Yes.

YOUNG: And did anyone assist you in the drafting of these documents for fundraising purposes for the legal defense fund?

EYMAN: Only the PDC in their original letter on August 13<sup>th</sup> letting me know as far as what was allowed and what wasn't. But this specific letter, No.

YOUNG: And we've covered some of this but we pretty much went through the expenditures and the deposits. I just want to kind of touch on the donations to the legal defense fund. You had had discussions with Dave Hawthorne regarding soliciting donations to the legal defense fund?

EYMAN: Yeah sending out letters to supporters asking for help, yes.

YOUNG: And he, you had discussions with him how you should treat those gifts or donations?

EYMAN: Yes.

YOUNG: And what was his advice?

EYMAN: The same as yours in your August 13<sup>th</sup> letter.

YOUNG: And that was?

EYMAN: Keep it separate.

YOUNG: And they would all be, not reportable if they were truly for legal defense related activities. Is that correct?

EYMAN: Yes.

YOUNG: Other than those early donations have all of the, just for the record we have the Blue Angels coming overhead. Have you, have all of the donations for the legal defense fund been deposited into the legal defense fund account?

EYMAN: Yes.

YOUNG: Do you know if any funds have been deposited into any other accounts?

EYMAN: I would know and there hasn't been.

YOUNG: And you make those deposits personally?

EYMAN: Yes.

YOUNG: Does Karen have anything to do with the legal defense fund as far as contributions or anything other?

EYMAN: No.

YOUNG: Okay. And you had discussions with Dave Hawthorne about depositing only legal defense fund contributions into that account?

EYMAN: Yes. And the PDC as well.

YOUNG: And to your knowledge have you adhered to that advice?

EYMAN: Religiously.

YOUNG: Is Permanent Offense Inc. still a going concern?

EYMAN: No.

YOUNG: Is it doing any work for any initiatives or consulting or fundraising services?

EYMAN: No.

YOUNG: Are the remaining funds in Permanent Offense Inc. that have recently been reimbursed, are those going to be paid to you

personally as some form of income or compensation?

EYMAN: They have been dispersed, yeah. The taxes were already paid on the monies.

YOUNG: And then the remaining? Was it strictly for taxes or was there any funds remaining after the tax liabilities were paid?

EYMAN: Well you asked for the bank statements so whatever is on the bank statements. You asked for a breakdown of that and that was provided as well. So every amount of activity that has existed in my life is now a part of the public record it seems.

YOUNG: So that savings account is Permanent Offense Inc.'s account as well? Or the legal defense fund account or is that a separate account.

EYMAN: The legal defense fund is a totally separate account from everything else that's going on. And the Permanent Offense Inc., account is a totally separate fund in a totally separate bank.

YOUNG: Is Permanent Offense Inc., going to continue to exist or have you made any determinations on that?

EYMAN: It won't continue.

YOUNG: Have you received any compensation or salary from Permanent Offense Inc. in 2003?

EYMAN: In 2003? Just the reimbursement of the expenses.

YOUNG: How about in 2002 after, let's say August 12<sup>th</sup> when the penalties and fines were...

EYMAN: Whatever is on the bank statements. I don't have them in front of me. But the monies that were in there most of them were used for legal expenses. As recorded.

YOUNG: Has any expenditures been made from Permanent Offense Inc. that would be reportable to PDC as either consulting or fund raising services for initiative work?

EYMAN: No.

YOUNG: Has any payments been made to you from Permanent Offense Inc that would allow you to work on initiatives or to otherwise compensate you for initiative type work?

EYMAN: No.

YOUNG: Is Insignia Corporation still a going concern?

EYMAN: Yes.

YOUNG: Do you, in 2002 did you draw a salary or other form of compensation from Insignia Corp?

EYMAN: Amazing. Yes.

YOUNG: And the legal defense fund hasn't paid you any compensation or other payments other than for legal defense fund related activities. Is that correct?

EYMAN: That is correct.

YOUNG: Let me just go off of the record here for a few minutes. Neither one of us have a watch on here so I will identify the time when I come back on the record. It's about 12:48 and we're back on the record with Tim Eyman. We just wanted to follow up on a few things that we've probably asked once but we'll just go ahead and clarify the record on these issues. So to be clear you've disclosed all donations received to the legal defense fund to the Public Disclosure Commission. Is that correct?

EYMAN: Yeah. All of the bank statements were provided. As well as summaries.

YOUNG: And that summary would be the spreadsheet that you have created for us is that correct?

EYMAN: Yeah taken directly from the bank statements which you have copies of.

YOUNG: And could we request the most recent bank statement? We've got everything through June 12<sup>th</sup>, we don't need the backup but we would just like to request the most recent bank statement.



EYMAN: For?

YOUNG: For the legal defense fund.

EYMAN: That would be fine.

YOUNG: Okay. If you could fax that to me sometime next week that would be great. I do appreciate that. And just to reiterate, you haven't received any payments from the legal defense fund for any initiative related work?

EYMAN: No.

YOUNG: And you haven't received any compensation or payments from the legal defense fund other than expenses that you made for true legal defense fund activities?

EYMAN: That is correct.

YOUNG: And you're the one making all of the decisions over the receipts and disbursements from the legal defense fund?

EYMAN: Yes.

YOUNG: Do you run any expenditures by Hawthorne and Company prior to making them from the legal defense fund?

EYMAN: No.

YOUNG: But you do rely on our August 14<sup>th</sup> 2002 memo to determine the permissibility of the activities of the legal defense fund?

EYMAN: Yes.

YOUNG: Have you adhered to those, for lack of a better word, the advice we provided you in that August 14<sup>th</sup> letter?

EYMAN: Yes.

YOUNG: Have any funds been otherwise diverted to you personally that haven't been reported to the PDC?

EYMAN: No. You have all of the bank statements and the summaries.

YOUNG: Do you, have you had any discussions with Dave about spending any legal defense funds for any legal challenges to any initiatives?

EYMAN: No. That would be paid for by the political action committee.

YOUNG: And you're clear that if the legal defense fund, at some point in the future, generates a surplus that those surplus monies, if used to work on initiatives or other campaigns, would be reportable to the Public Disclosure Commission?

EYMAN: Yes.

YOUNG: Have you had any discussions with Dave about, David Hawthorne, about whether, what you would do with those surplus monies if the legal defense fund does raise a surplus?

EYMAN: You know I'd rather raise money for my own compensation which I am certainly trying to do rather than responding to complaints by opponents and the Public Disclosure Commission investigation so I have no strong incentive in order to be able to raise those funds higher than that but because I don't have a crystal ball I don't know how many more investigations the PDC is going to hold against me.

YOUNG: Has any of the legal defense funds been transferred into the compensation fund?

EYMAN: No.

YOUNG: Has any of the compensation or other PAC funds been transferred into the legal defense fund?

EYMAN: No. Again as backed up by the bank statements and the summaries. Or as illustrated by.

YOUNG: Okay. Other than the reimbursements from the legal defense fund we've got disbursements through June 12<sup>th</sup>, have there been any measurable expenditures related to the legal defense fund since that date? Other than the reimbursements to PO Inc.

EYMAN: Yeah other than the reimbursements to PO Inc. and myself there wouldn't be any others.

YOUNG: Have you sent out a solicitation letter recently?

EYMAN: No. Define recently, but no.

YOUNG: Since June 12<sup>th</sup>.

EYMAN: Since June 12<sup>th</sup> I don't think so, no.

YOUNG: Okay. One thing I did notice on Exhibit 8 if I could just point your attention to it. The PO Inc., there appears to be a gap in the checks from 1037 to 1041. Can you explain that gap?

EYMAN: No. No but you have all of the bank statements for PO Inc. so you would be able to ascertain whether or not there is any activity on those. But they are not. Again these were taken directly from the bank statements.

YOUNG: Okay. So the gap would be maybe voided checks or something or do you know?

EYMAN: I do not know but the bank statements would back that up.

YOUNG: And the missing checks weren't deposited into your account personally or otherwise compensating you personally is that correct?

EYMAN: No. But the bank statements would further prove that.

YOUNG: Well I think that about wraps up all of the questions I have. I don't know if there is anything you want to add for the record or any comments you want to make.

EYMAN: Yeah. The Seattle Election, Ethics and Elections Commission, Terry Thomas was quoted in a recent newspaper story where he said that he refused to say whether his office had opened an investigation into the donations of some people in the city council race and his quote was "I don't think its fair to announce an investigation where it might influence the electoral process when frequently at the end of an investigation there is no basis for an original complaint." Does the PDC have a similar policy?

YOUNG: I'm doing the interview so that's where you can editorialize as much as you would like at this point.

EYMAN: So you don't know whether or not they have a similar policy on that or not? Because the PDC has on numerous occasions publicized

investigations of me and seems to go out of their way to try and editorialize themselves on investigations of me and it seems that the Seattle Commission has a different standard when it comes to theirs, their investigations. They don't comment on them until they are completed because what they find is that frequently at the end of an investigation there is not basis for an original complaint. Unfortunately with the Public Disclosure Commission and spokesman Doug Ellis it seems that you want to slime the person that's being investigation before you even know what the facts of the case are. I've also noticed comments in the newspapers by Vicki Rippie making the same kind of comments about me and talking about things that might be true without even having the benefit of seeing bank statements, without seeing the actual facts of the case and I would encourage the Public Disclosure Commission to learn a valuable lesson from the Seattle Elections Commission and take a policy where if you are doing an investigation of someone that if you find them guilty then publicize it all day long, but just the fact that you are doing an investigation seems to pervert the process and make it where the person is guilty until they prove themselves innocent as opposed to the other way around. You mentioned in our conversation before that you thought that your office was going to be quite busy with the governor's race next year and the senate race etc., and it's become pretty common for opponents of candidates to use the PDC to slime their opponents and they've quickly learned that the PDC takes the bait many times and goes after those opponents that they feel that they, and makes comments on the fact that they are being investigated and because the PDC is inundated with these kinds of things, it takes many, many, many months before they end up coming to any kind of conclusion in any case as a result you end up getting the

slime without maybe on page A16, an exoneration. The point I'm simply trying to make is that with your particular department when it comes to me it seems like you've bent over backwards to try and harass me and do everything you could to try and slime me in the press whenever possible. And when it comes to the legal defense fund specifically, it seems that there has been a rush to judgment and that you have gone out of your way to make disparaging remarks in the newspapers about it without even investigating it. So if you find that there is something wrong with it knock yourself out and beat me up all day long, but to slime and disparage and to play McCarthy tactics without actually having any facts on the record and just simply talk about things that might be going on and possible things that might be going on, I think it doesn't help you in your own credibility, if that's even a concern to the organization, and I would just encourage you that in the future that when a complaint is made against a person you simply say nothing about it. And if you end up doing an investigation and you end up fining the person that had done something wrong, to go ahead and publicize it. But to do so before hand and to publicize the fact that there is an investigation has clearly become part of the political process and it's not supposed to be. You're only supposed to be disparaging those people who do something wrong, not just because you decide to take up the case does that make the person guilty. So with that.

YOUNG: Okay. And that would be something to address to Vicki or to the Commissioners so that they are aware of your feelings on that. But I understand your comments there.

EYMAN: Yeah.

YOUNG: And with that, we're going to conclude the interview with Tim Eyman on July 31<sup>s</sup> at 12:57. Thanks for coming in Tim and I do

want to note on the record that Tim appeared today voluntarily. There was no subpoena that had to be issued or offered to him at all. So he came in voluntarily as did David Hawthorne. And with that we will conclude the interview with Tim Eyman in PDC Case 03-244.

TIM EYMAN, TAXPAYER ADVOCATE  
11913 59<sup>TH</sup> AVENUE WEST  
MUKILTEO, WA 98275

RECEIVED

AUG 7 2002

Public Disclosure Commission

Dear Fellow Taxpayer:

When the "big" press conference was held recently in Olympia, it was quite a show: wall-to-wall cameras, microphones, reporters, and photographers. I must say it was enormously fun and I'm certain that the press enjoyed it too. Here is an excerpt from the speech I gave:

*"But frankly, it would be incredibly inconsiderate of us to not give credit to those most responsible for our continued success: our opponents, our detractors, and their allies in the press. Permanent Offense – the four of us – would be nothing without you. It is incredibly gratifying to me to watch our initiatives continue to elicit such contempt from the elitists in government, business, labor, and the ivory towers of the media but continue to garner overwhelming victories by regular voters each and every year. To watch you all sputter and huff and puff with no real impact on the electorate is an illustration of the disconnect you have with the hopes, dreams, and fears of the average taxpayer. You are completely out-of-touch and I've seen no indication that your attitudes will change anytime soon. Work yourself into a lather if you want to concerning our efforts to limit taxes in Washington state, it makes no difference to me, because to the average voter, you have all reached the point of near-irrelevance."*

I know this is hard for some people to understand but the press loves me, they really do. Politics in the state of Washington is relatively polite and nice. To a reporter, that is a recipe for snooze time for their readers. Politics is more interesting and exciting because of the challenge to the establishment, challenge to the status quo, and challenge to the most powerful people in politics. These efforts give average taxpayers an equal voice in the process. I'm very proud of that.


For years, I have gone out of my way to antagonize our opponents, especially the press. I belittle them, attack them, and make fun of them. Why? Because most of them are so pompous, self-important, and self-centered that they "fight back" by writing a scathing editorial, a slanted news story, or a devastating column – which ensures the public hears about these efforts. What's funny is these same reporters, editorial writers, and columnists slander, libel, and verbally assault regular people on a daily basis. The irony is they squeal like stuck pigs when I challenge them like this but they always show up at the next press conference begging for more. Most of the people in the press aren't very bright and haven't figured that out yet (but a couple of veteran reporters understand perfectly and I've always managed to share a chuckle with them at the thin-skinned opponents who get absolutely furious with me). Bottom line, my role is simply to spark a discussion. And sparring with the press is necessary to ensure that a story gets written.

EXHIBIT #4  
1 of 2

I always have been and always will be a lightning rod simply because of these ideas - reasonable taxation, accountability, better use of existing resources - these ideas are simply heresy among the elitists. Because of this, I will never be popular. But being popular is not what's important. What's important are these common sense ideas being included in the public debate. And my notoriety (one reporter called it my "bad-boy celebrity") will ensure that these ideas get the attention they deserve. That's a very good thing.

For the past several months, I've spent countless hours on the phone talking with supporters, meeting one-on-one for lunches and ping-pong matches, and continuing my efforts to speak out on behalf of the taxpayers. If you appreciate my past efforts and want to encourage me to continue, please send me a generous financial gift using the form below. Please send me a \$10, \$25, \$50, \$100, \$250, \$500, or \$1000 check - **made payable to "Tim Eyman, Taxpayer Advocate"** - to my home in Mukilteo.

I will continue to fight for you no matter what. But I would appreciate any financial gift you're willing to offer. And please understand: your gift is obviously optional, reliably anonymous, and very much appreciated. Thank you for your consideration.

Best Regards, Tim Eyman, Taxpayer Advocate 

P.S. Here's the final paragraph of my speech: *"Thanks to our supporters' perseverance, Permanent Offense and Tim Eyman will be a punching bag for pompous politicians, pious political practitioners, and prima donna press people for years to come. It's gonna be a lot of fun. Because thanks to our supporters, there's no limit to what we can accomplish in the future."*

TIM EYMAN, TAXPAYER ADVOCATE • 11913 59<sup>TH</sup> AVE W • MUKILTEO • WA • 98275

-----  
Providing this information is optional but allows me to send you a thank you letter.

Your Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Phone # \_\_\_\_\_

E-mail address (please print very clearly) \_\_\_\_\_

"Tim, I appreciate what you're doing and want you to keep fighting for Washington taxpayers."

Enclosed is my check for \$ \_\_\_\_\_

Made payable to "Tim Eyman, Taxpayer Advocate"

GIFTS TO "TIM EYMAN, TAXPAYER ADVOCATE" ARE NOT TAX-DEDUCTIBLE. GIFTS TO "TIM EYMAN, TAXPAYER ADVOCATE" ARE NOT POLITICAL DONATIONS SO CONTRIBUTORS' NAMES, ADDRESSES, AND AMOUNT OF FINANCIAL SUPPORT WILL BE ANONYMOUS. GIFTS TO "TIM EYMAN, TAXPAYER ADVOCATE" WILL BE USED TO HELP TIM EYMAN RESOLVE HIS CURRENT FINANCIAL CHALLENGES.

EXHIBIT #4

2 of 2



Fax'd to the PDC at 3:30 p.m.

August 13th, 2002

To: Vicki Rippie, Susan Harris, Phil Stutzman, Public Disclosure Commission  
From: Tim Eyman

I appreciated our phone conversation involving all of us today at 2:00 pm. Thank you for fully explaining your concerns to me.

Here is the further explanation you requested. Voluntary gifts by my supporters to "Tim Eyman, Taxpayer Advocate" are being used to help me offset the costs of the state's lawsuit against me. In our phone conversation, you said that my second letter did not specifically mention "legal costs." My letter makes clear that gifts would be used to help me with my "current financial challenges." I think my supporters are fully aware of my financial challenges; the press has done a good job reporting on my financial dilemma. Most importantly, my first letter, sent to these same supporters, made clear that their gifts to "Tim Eyman, Taxpayer Advocate" would be used to help me offset the substantial costs associated with my legal defense.

In the unlikely event that more funds are gifted than the cost of the legal and accounting expenses and financial penalties associated with this lawsuit, I will not spend those dollars on any politically related activities subject to your disclosure requirements. Again, receipt of excess gifts is very unlikely.

I continue to be extremely thankful to those supporters who have chosen to voluntarily help me with the extraordinary financial expense of the state's lawsuit against me.

Thank you again for bringing your concerns to my attention. In the future, feel free to call me, I'm always willing to talk.

EXHIBIT # 5

1 of 1

8/13/02 7:35 AM



STATE OF WASHINGTON

PUBLIC DISCLOSURE COMMISSION

711 Capitol Way Rm 206, PO Box 40908 • Olympia, Washington 98504-0908 • (360) 753-1111 • FAX (360) 753-1112  
Toll Free 1-877-601-2828 • E-mail: [pdc@pdc.wa.gov](mailto:pdc@pdc.wa.gov) • Website: [www.pdc.wa.gov](http://www.pdc.wa.gov)

August 13, 2002

TIM EYMAN  
TAXPAYER ADVOCATE  
11913 59<sup>TH</sup> AVE W  
MUKILTEO WA 98275

Subject: Letter from the desk of Tim Eyman, Taxpayer Advocate

Dear Mr. Eyman:

On August 7, 2002, the Public Disclosure Commission received a copy of your letter addressed to "Dear Fellow Taxpayer" (copy enclosed). The letter solicits financial gifts and states in part, *"For the past several months, I've spent countless hours on the phone talking with supporters, meeting one-on-one for lunches and ping-pong matches, and continuing my efforts to speak out on behalf of the taxpayers. If you appreciate my past efforts and want to encourage me to continue, please send me a generous financial gift using the form below. Please send me a \$10, \$50, \$100, \$250, \$500, or \$1000 check – made payable to 'Tim Eyman, Taxpayer Advocate' – to my home in Mukilteo."*

The letter contains a statement which reads *"Gifts to 'Tim Eyman, Taxpayer Advocate' are not political donations so contributors' names, addresses and amount of financial support will be anonymous. Gifts to 'Tim Eyman, Taxpayer Advocate' will be used to help Tim Eyman resolve his current financial challenges."* However, as stated above, the text of your letter states that if the reader appreciates your past efforts and wants to encourage you to continue, he or she should do so by making a generous financial gift. Also, the remittance portion of the letter includes the pre-printed message, *"Tim, I appreciate what you're doing and want you to keep fighting for Washington taxpayers. Enclosed is my check for \$\_\_\_\_\_ (made payable to 'Tim Eyman, Taxpayer Advocate')."*

As your solicitation letter is presently written, PDC staff believes that your letter appears to solicit contributions designed to enable you to continue your efforts of supporting initiatives, including initiatives to the legislature. As such, this solicitation constitutes activities that meet the definition of a political committee: *"any person (except a candidate or an individual dealing with his or her own funds or property) having the expectation of receiving contributions or making expenditures in support of, or opposition to, any candidate or any ballot proposition."* RCW 42.17.020(33).

*"The public's right to know of the financing of political campaigns and lobbying  
and the financial affairs of elected officials and candidates far outweighs  
any right that these matters remain secret and private."*

RCW 42.17.010 (10)

EXHIBIT #6  
1 of 2



A political committee must register and begin filing contribution and expenditure reports generally within two weeks of its organization. Enclosed is a Political Committee Registration form to be completed for the Tim Eyman, Taxpayer Advocate committee. Additionally, your activities with this committee must comply with the terms of the Judgment entered against you in *State ex rel. Washington State Public Disclosure Commission v. Permanent Offense, et al.*, Snohomish County Superior Court No. 02-2-08212-1

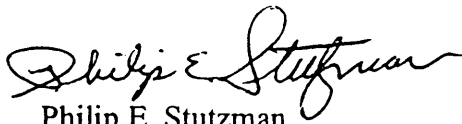
As an alternative to registering a new committee, Permanent Offense PAC, and/or any other political committee receiving the benefit of your services, must report these funds as in-kind contributions from the individuals responding to your solicitation.

However, if the financial support sought in your August 7, 2002, letter is solely for the purpose of paying legal expenses and not to pay you or your family's personal expenses, the payment of which will enable you to spend time assisting or promoting ballot measure campaigns and/or initiatives to the legislature, then those monies raised and spent for legal expense purposes are not reportable under the public disclosure law.

If all the funds received from your solicitations are being used to pay legal expenses, please confirm this fact in writing. Also please indicate whether any of the funds in excess of your legal costs will be used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature.

If you have any questions, please contact me at (360) 664-8853 or toll free at 1-877-601-2828.

Sincerely,

  
Philip E. Stutzman  
Director of Compliance

Enclosures

- (1) Political Committee Registration Form
- (2) Tim Eyman, Taxpayer Advocate Letter

c: Permanent Offense PAC

FAX'D to the PDC at 8:00 am:

August 14th, 2002

To: Phil Stutzman, Public Disclosure Commission  
From: Tim Eyman

RECEIVED

AUG 14 2002

Public Disclosure Commission

I am in receipt of your letter dated August 13th, 2002.

As I did yesterday, I am again formally confirming that the voluntary gifts requested in my August 7th, 2002 letter are going toward a legal defense fund to help me offset these costs. As you are well aware, these costs are substantial. And as I explained in my letter to you yesterday, in the unlikely event that more funds are gifted than the cost of the legal and accounting expenses and financial penalties, I will not spend those dollars directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature. Again, receipt of excess gifts is very unlikely.

I continue to be extremely thankful to those supporters who have chosen to voluntarily help me with my extraordinary legal expenses.

Thank you again for bringing your concerns to my attention.

Best Regards, Tim Eyman

EXHIBIT #7

1 of 1

8/13/02 11:3



STATE OF WASHINGTON

PUBLIC DISCLOSURE COMMISSION

711 Capitol Way Rm 206, PO Box 40908 • Olympia, Washington 98504-0908 • (360) 753-1111 • FAX (360) 753-1112  
Toll Free 1-877-601-2828 • E-mail: [pdc@pdc.wa.gov](mailto:pdc@pdc.wa.gov) • Website: [www.pdc.wa.gov](http://www.pdc.wa.gov)

August 14, 2002

(Sent by Facsimile and U.S. Mail)

TIM EYMAN  
TAXPAYER ADVOCATE  
11913 59<sup>TH</sup> AVE W  
MUKILTEO WA 98275

Subject: Confirmation of Receipt of Tim Eyman Response to PDC Staff's August 13, 2002, Letter

Dear Mr. Eyman:

Thank you for your memo dated and received by facsimile August 14, 2002, responding to our August 13<sup>th</sup> letter and clarifying your August 7, 2002, solicitation letter. I am writing to confirm PDC staff's understanding of your response to our August 13, 2002, letter.

It is our understanding that:

1. the financial support sought in your August 7, 2002, letter is solely for the purpose of paying legal expenses and not to pay you or your family's personal expenses, the payment of which would enable you to spend time assisting or promoting ballot measure campaigns and/or initiatives to the legislature;
2. all the funds received from your solicitations to help pay legal expenses (including funds received from a letter sent approximately one month ago, the letter sent August 7, 2002, and any similar letters sent in the future) are and will be used solely to pay legal expenses;
3. none of the funds received in excess of your legal costs will be used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature; and
4. you are aware and appreciate that if funds received from your solicitations are used directly or indirectly to support or oppose any candidate, ballot measure or initiative to the legislature, then those monies raised and spent must be reported in accordance with the Public Disclosure Law, chapter 42.17.RCW.

EXHIBIT #8

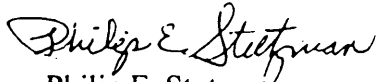
1 of 2



Tim Eyman, Taxpayer Advocate  
August 14, 2002  
Page 2

If any of the facts enumerated above are in error or change, please contact the Public Disclosure Commission immediately. I can be reached at (360) 664-8883 or toll free at 1-877-601-2828.

Sincerely,

  
Philip E. Stutzman  
Director of Compliance

c: Permanent Offense PAC

Voluntary gifts used for Legal Defense Fund (as of 6/12)

Type of revenue	Date	Deposit amt	Interest
Deposit	03/04/02	\$395.00	
Interest	03/13/02		\$.07
Interest	04/11/02		\$.24
Interest	05/13/02		\$.26
Deposit	05/23/02	\$350.00	
Interest	06/13/02		\$.40
Interest	07/12/02		\$.45
Deposit	07/30/02	\$680.00	
Deposit	07/30/02	\$695.00	
Deposit	07/30/02	\$785.00	
Deposit	07/30/02	\$1,150.00	
Deposit	07/30/02	\$1,265.00	
Deposit	07/30/02	\$1,407.00	
Deposit	07/30/02	\$1,520.00	
Deposit	07/30/02	\$1,693.00	
Deposit	07/30/02	\$2,635.00	
Deposit	07/30/02	\$3,247.00	
Deposit	07/30/02	\$3,737.00	
Deposit	07/30/02	\$4,250.00	
Deposit	07/30/02	\$4,495.00	
Deposit	07/30/02	\$4,664.00	
Deposit	07/30/02	\$7,457.00	
Deposit	07/30/02	\$7,936.00	
Deposit	07/30/02	\$10,243.00	
Deposit	08/01/02	\$415.00	
Deposit	08/01/02	\$440.00	
Deposit	08/01/02	\$802.00	
Returned item	08/02/02	(\$35.00)	
Interest	08/13/02		\$25.26
Deposit	08/19/02	\$385.00	
Deposit	08/19/02	\$455.00	
Deposit	08/19/02	\$585.00	
Deposit	08/19/02	\$775.00	
Deposit	08/19/02	\$1,025.00	
Deposit	08/19/02	\$1,125.00	
Deposit	08/19/02	\$1,320.00	
Deposit	08/19/02	\$1,466.80	
Deposit	08/19/02	\$1,534.00	
Deposit	08/19/02	\$2,053.00	
Deposit	08/19/02	\$2,085.00	
Deposit	08/19/02	\$2,202.00	
Deposit	08/19/02	\$2,957.14	
Deposit	08/19/02	\$3,941.00	
Misc. deposit	08/19/02	\$25.00	
Deposit	08/29/02	\$382.00	
Deposit	08/29/02	\$1,505.00	
Deposit	08/29/02	\$3,616.00	
Deposit	09/05/02	\$1,665.00	
Interest	09/13/02		\$22.24
Deposit	09/17/02	\$1,515.00	
Deposit	09/23/02	\$3,367.00	
Misc. deposit	09/23/02	\$25.00	
Misc. deposit	09/24/02	\$10.00	
Deposit	10/04/02	\$2,950.00	
Interest	10/11/02		\$29.99
Deposit	10/21/02	\$722.00	
Misc. deposit	10/23/02	\$10.00	
Deposit	10/25/02	\$2,973.00	
Deposit	10/28/02	\$1,215.00	
Deposit	11/04/02	\$2,311.00	
Interest	11/14/02		\$39.79
Deposit	11/18/02	\$3,250.00	
Deposit	12/02/02	\$605.00	
Interest	12/12/02		\$37.21
Deposit	12/20/02	\$590.00	
Interest	12/31/02		\$971.00
Deposit	01/13/03	\$2,800.00	
Interest	01/13/03		\$47.98
Interest	01/13/03		\$45.33
Interest	01/14/03		\$46.63

EXHIBIT #9

1 of 2

Voluntary gifts used for Legal Defense Fund (as of 6/12) - CONTINUED

Type of revenue	Date	Deposit amt	Interest
Deposit	01/22/03	\$1,007.00	
Deposit	02/07/03	\$910.00	
Deposit	03/13/03	\$1,535.00	
Interest	04/11/03		\$48.06
Deposit	04/28/03	\$975.00	
Interest	05/13/03		\$53.42
Deposit	05/19/03	\$205.00	
Deposit	05/19/03	\$707.00	
Deposit	05/19/03	\$2,635.00	
Deposit	05/27/03	\$2,173.00	
Deposit	06/02/03	\$4,105.00	
Deposit	06/09/03	\$4,825.00	
Interest	06/12/03		\$53.87
	Subtotal	\$130,747.94	\$1,422.20
Subtotal gifts raised + interest		\$132,170.14	



Voluntary gifts used for Legal Defense Fund (as of 8/01/03)

Type of revenue	Date	Deposit amt	Interest
Deposit	03/04/02	\$395.00	
Interest	03/13/02		\$ .07
Interest	04/11/02		\$ .24
Interest	05/13/02		\$ .26
Deposit	05/13/02	\$350.00	
Interest	06/13/02		\$ .40
Interest	07/12/02		\$ .45
Deposit	07/30/02	\$680.00	
Deposit	07/30/02	\$695.00	
Deposit	07/30/02	\$785.00	
Deposit	07/30/02	\$1,150.00	
Deposit	07/30/02	\$1,265.00	
Deposit	07/30/02	\$1,407.00	
Deposit	07/30/02	\$1,520.00	
Deposit	07/30/02	\$1,693.00	
Deposit	07/30/02	\$1,835.00	
Deposit	07/30/02	\$2,247.00	
Deposit	07/30/02	\$2,737.00	
Deposit	07/30/02	\$4,250.00	
Deposit	07/30/02	\$4,495.00	
Deposit	07/30/02	\$4,664.00	
Deposit	07/30/02	\$4,936.00	
Deposit	07/30/02	\$10,243.00	
Deposit	08/01/02	\$4415.00	
Deposit	08/01/02	\$4440.00	
Deposit	08/01/02	\$8002.00	
Returned item	08/02/02	(\$335.00)	
Interest	08/13/02		\$25.26
Deposit	08/19/02	\$385.00	
Deposit	08/19/02	\$4455.00	
Deposit	08/19/02	\$585.00	
Deposit	08/19/02	\$775.00	
Deposit	08/19/02	\$1,025.00	
Deposit	08/19/02	\$1,125.00	
Deposit	08/19/02	\$1,320.00	
Deposit	08/19/02	\$1,466.80	
Deposit	08/19/02	\$2,053.00	
Deposit	08/19/02	\$2,085.00	
Deposit	08/19/02	\$2,003.00	
Deposit	08/19/02	\$2,557.14	
Deposit	08/19/02	\$3,941.00	
Misc. deposit	08/19/02	\$225.00	
Deposit	08/29/02	\$382.00	
Deposit	08/29/02	\$1,505.00	
Deposit	08/29/02	\$3,616.00	
Deposit	09/05/02	\$1,665.00	
Interest	09/13/02		\$22.24
Deposit	09/23/02	\$1,515.00	
Deposit	09/23/02	\$3,367.00	
Misc. deposit	09/23/02	\$25.00	
Misc. deposit	09/24/02	\$10.00	
Deposit	10/04/02	\$2,950.00	
Interest	10/11/02		\$29.99
Deposit	10/21/02	\$722.00	
Misc. deposit	10/23/02	\$10.00	
Deposit	10/25/02	\$2,973.00	
Deposit	10/28/02	\$1,215.00	
Deposit	11/04/02	\$2,311.00	
Interest	11/14/02		\$39.79
Deposit	11/18/02	\$3,250.00	
Deposit	12/02/02	\$605.00	
Interest	12/12/02		\$37.21
Deposit	12/20/02	\$590.00	
Deposit	12/31/02	\$971.00	
Deposit	01/07/03	\$3,000.00	
Deposit	01/13/03	\$2,800.00	
Interest	01/14/03		\$46.63
Deposit	01/22/03	\$1,007.00	
Deposit	02/07/03	\$910.00	
Interest	02/13/03		\$47.98
Deposit	03/13/03	\$1,535.00	
Interest	03/13/03		\$45.33
Interest	04/11/03		\$48.06
Deposit	04/28/03	\$975.00	
Interest	05/13/03		\$53.42
Deposit	05/19/03	\$205.00	
Deposit	05/19/03	\$707.00	
Deposit	05/19/03	\$2,635.00	
Deposit	05/27/03	\$2,173.00	

EXHIBIT #10

1 of 2

Voluntary gifts used for Legal Defense Fund (as of 8/01/03) - CONTINUED

Type of revenue	Date	Deposit amt	Interest
Deposit	06/02/03	\$4,105.00	
Deposit	06/09/03	\$4,825.00	
Interest	06/12/03		\$53.87
Deposit	06/16/03	\$6,411.00	
Deposit	06/23/03	\$2,131.00	
Deposit	06/30/03	\$952.00	
Deposit	07/08/03	\$1,375.00	
Interest	07/14/03		\$59.71
Deposit	07/15/03	\$230.00	
	Subtotal	\$145,817.94	\$510.91

EXHIBIT #10

2 of 2

Expenditures from gifts used for legal defense fund (as of 6/12)

Date	Paid to	Amount	Reason
08/02/02	Tim Eyman	\$55,000.00	To pay \$55,000 in fines
10/07/02	Bank of America	\$25.00	misadded deposit
10/11/02	Terry Miller	\$981.75	Legal expenses
10/15/02	Livengood, Carter	\$859.64	Legal expenses
10/15/02	Hawthorne & Co.	\$120.00	Accounting svcs
10/17/02	Data Resources	\$824.65	Cost of mailing
10/28/02	PS Envelope	\$56.80	Envelopes
12/11/02	Terry Miller	\$275.50	Legal expenses
12/11/02	Hawthorne & Co.	\$785.00	Accounting svcs
02/19/03	Terry Miller	\$450.00	Legal expenses
05/09/03	Data Resources	\$1,028.99	Mailing costs
05/27/03	Data Resources	\$1,233.50	Mailing costs
06/02/03	Steve Parry	\$500.00	Data entry donors
06/05/03	Data Resources	\$1,008.30	Mailing costs
06/12/03	Hawthorne & Co.	\$1,065.00	Acctg svcs (PDC complaint)

Total expenditures (as of 6/12) \$64,214.13

EXHIBIT #11

1 of 1

## Expenditures from gifts used for legal defense fund (as of 8/01/03)

Date	Paid to	Amount	Reason
08/02/02	Tim Eyman	\$55,000.00	To pay \$55,000 in fines
10/07/02	Bank of America	\$25.00	misadded deposit
10/11/02	Terry Miller	\$981.75	Legal expenses
10/15/02	Livengood, Carter	\$859.64	Legal expenses
10/15/02	Hawthorne & Co.	\$120.00	Accounting svcs
10/17/02	Data Resources	\$824.65	Cost of mailing
10/28/02	PS Envelope	\$56.80	Envelopes
12/11/02	Terry Miller	\$275.50	Legal expenses
12/11/02	Hawthorne & Co.	\$785.00	Accounting svcs
02/19/03	Terry Miller	\$450.00	Legal expenses
05/09/03	Data Resources	\$1,028.99	Mailing costs
05/27/03	Data Resources	\$1,233.50	Mailing costs
06/02/03	Steve Parry	\$500.00	Data entry donors
06/05/03	Data Resources	\$1,008.30	Mailing costs
06/12/03	Hawthorne & Co.	\$1,065.00	Acctg svcs (PDC complaint)
07/02/03	Linda Parry	\$120.00	Data entry donors
07/14/03	Terry Miller	\$45.17	Legal expenses
07/23/03	Tim Eyman	\$18,022.26	To reimburse mailing costs paid in 200
07/23/03	Permanent Offense Inc	\$64,166.84	To reimburse legal fees paid in 2002

Total expenditures (as of 8/01/03) \$146,568.40

Legal, accounting, and other related expenses incurred

02/19/02	Appel & Glueck	\$25,000.00	Legal fees	1035	PO Inc
03/31/02	Livengood, Carter	\$4,107.34	Legal fees	1036	PO Inc
04/28/02	Livengood, Carter	\$7,344.60	Legal fees	1037	PO Inc
05/23/02	Hawthorne & Co.	\$7,670.15	Acctg svcs	1041	PO Inc
05/30/02	Livengood, Carter	\$4,636.63	Legal fees	1043	PO Inc
05/30/02	Livengood, Carter	\$2,755.95	Legal fees	1044	PO Inc
05/31/02	Appel & Glueck	\$4,429.91	Legal fees	1045	PO Inc
06/27/02	Livengood, Carter	\$1,904.35	Legal fees	1046	PO Inc
06/27/02	Appel & Glueck	\$3,310.41	Legal fees	1047	PO Inc
07/26/02	Livengood, Carter	\$2,101.50	Legal fees	1048	PO Inc
08/01/02	Foreman & Arch	\$900.00	Legal fees	Wire transfer	PO Inc
08/12/02	Snob Cty Sup Ct	\$50,000.00	Paid fine (personal)	Money order	Tim Eymann
08/12/02	Snob Cty Sup Ct	\$5,000.00	Paid fine (PAC)	Money order	Tim Eymann
10/11/02	Terry Miller	\$981.75	Legal expenses	Money order	Defense fund
10/15/02	Livengood, Carter	\$859.64	Legal expenses	Money order	Defense fund
10/15/02	Hawthorne & Co.	\$120.00	Accounting svcs	Money order	Defense fund
12/11/02	Terry Miller	\$275.50	Legal expenses	Money order	Defense fund
12/11/02	Hawthorne & Co.	\$785.00	Accounting svcs	Money order	Defense fund
02/19/03	Terry Miller	\$450.00	Legal expenses	Money order	Defense fund
06/12/03	Hawthorne & Co.	\$1,065.00	Acctg svcs (PDC complaint)	Money order	Defense fund
07/14/03	Terry Miller	\$45.17	Legal expenses	Money order	Defense fund
Total		\$123,748.90			
		\$64,166.84			

Bank of America



CASHIER'S CHECK

Purchase: TM EYMAN, TAXPAYER ADVOCATE  
FOR REIMBURSE LEGAL EXPENSES

VOID AFTER 90 DAYS

ISSUE DATE: July 23, 2003

Pay to the order of:

PERMANENT DEFENSE, INC. 000

Bank of America, N.A., Seattle, Washington

BY:   
Authorized Signatory

EXHIBIT # 3  
of 1

Subtotal gifts raised + interest	\$132,170.14
Cost of raising it (see below)	\$25,569.02

Net gifts raised for legal defense      \$106,601.12

Date	To whom	Amount	For what	Paid by
06/30/02	PS Envelope	\$905.00	Envelopes	Tim Eyman
06/30/02	Perm. Offense PAC	\$850.00	Use of mailing list	Tim Eyman
07/01/02	Data Resources	\$5,687.00	Cost of mailing	Tim Eyman
07/01/02	PS Envelope	\$820.76	Envelopes	Tim Eyman
07/29/02	Data Resources	\$8,259.50	Cost of mailing	Tim Eyman
08/23/02	Steve Parry	\$500.00	Data entry donors	Tim Eyman
09/06/02	Data Resources	\$1,000.00	Cost of mailing	Tim Eyman
10/17/02	Data Resources	\$824.65	Cost of mailing	Tim Eyman
10/28/02	PS Envelope	\$56.80	Envelopes	Defense fu
11/04/02	Steve Parry	\$195.00	Data entry donors	Defense fu
12/23/02	Data Resources	\$1,874.87	Cost of mailing	Tim Eyman
05/09/03	Data Resources	\$1,028.99	Mailing costs	Tim Eyman
05/27/03	Data Resources	\$1,233.50	Mailing costs	Defense fu
06/02/03	Steve Parry	\$500.00	Data entry donors	Defense fu
06/05/03	Data Resources	\$1,008.30	Mailing costs	Defense fu
		\$24,744.37		

EXHIBIT #14

1 of 1

Subtotal gifts raised + interest \$146,328.85  
 Cost of raising it (see below) \$24,864.37

Net gifts raised for legal defense \$121,464.48

Date	To whom	Amount	For what	Paid by	
06/30/02	PS Envelope	\$905.00	Envelopes	Tim Eyman	reimbursed 7/23/03
06/30/02	Perm. Offense PAC	\$850.00	Use of mailing list	Tim Eyman	reimbursed 7/23/03
07/01/02	Data Resources	\$5,687.00	Cost of mailing	Tim Eyman	reimbursed 7/23/03
07/01/02	PS Envelope	\$820.76	Envelopes	Tim Eyman	reimbursed 7/23/03
07/29/02	Data Resources	\$8,259.50	Cost of mailing	Tim Eyman	reimbursed 7/23/03
08/23/02	Steve Parry	\$500.00	Data entry donors	Tim Eyman	reimbursed 7/23/03
09/06/02	Data Resources	\$1,000.00	Cost of mailing	Tim Eyman	reimbursed 7/23/03
10/17/02	Data Resources	\$824.65	Cost of mailing	Defense fund	reimbursed 7/23/03
10/28/02	PS Envelope	\$56.80	Envelopes	Defense fund	reimbursed 7/23/03
11/04/02	Steve Parry	\$195.00	Data entry donors	Tim Eyman	(not reimbursed yet)
12/23/02	Data Resources	\$1,874.87	Cost of mailing	Tim Eyman	(not reimbursed yet)
05/09/03	Data Resources	\$1,028.99	Mailing costs	Defense fund	
05/27/03	Data Resources	\$1,233.50	Mailing costs	Defense fund	
06/02/03	Steve Parry	\$500.00	Data entry donors	Defense fund	
06/05/03	Data Resources	\$1,008.30	Mailing costs	Defense fund	
07/02/03	Linda Parry	\$120.00	Data entry donors	Defense fund	
		\$24,864.37			

Date	To whom	Amount	For what
06/30/02	PS Envelope	\$905.00	Envelopes
06/30/02	Perm. Offense PAC	\$850.00	Use of mailing list
07/01/02	Data Resources	\$5,687.00	Cost of mailing
07/01/02	PS Envelope	\$820.76	Envelopes
07/29/02	Data Resources	\$8,259.50	Cost of mailing
08/23/02	Steve Parry	\$500.00	Data entry donors
09/06/02	Data Resources	\$1,000.00	Cost of mailing
10/11/02	Data Resources	\$824.65	Cost of mailing
10/28/02	PS Envelope	\$56.80	Envelopes
11/04/02	Steve Parry	\$195.00	Data entry donors
12/23/02	Data Resources	\$1,874.87	Cost of mailing
05/09/03	Data Resources	\$1,028.99	Mailing costs
05/27/03	Data Resources	\$1,233.50	Mailing costs
06/02/03	Steve Parry	\$500.00	Data entry donors
06/05/03	Data Resources	\$1,008.30	Mailing costs
07/02/03	Linda Parry	\$120.00	Data entry donors

Paid by
Tim Eyman ✓
Tim Eyman ✓
Tim Eyman ✓
Tim Eyman ✓
Tim Eyman ✓
Tim Eyman ✓
Tim Eyman ✓
Tim Eyman ✓
Defense fund
Tim Eyman
Tim Eyman
Defense fund
Defense fund
Defense fund
Defense fund
Defense fund

\$24,864.37

\$18,022.26

**Bank of America**

**CASHIER'S CHECK**

Purchaser: TIM EYMAN, TAXPAYER ADVOCATE  
REIMBURSE OTHER COSTS FOR LEGAL FUNVOID AFTER 90 DAYS

ISSUE DATE July 23, 2003



Bank of America, N.A., Seattle, Washington

97.



LIVENGOOD, CARTER, TIOSSEM, FITZGERALD & ALSKOG

A PROFESSIONAL LIMITED LIABILITY COMPANY

JAMES S. FITZGERALD  
DAVID A. ALSKOG  
DAVID B. JOHNSTON  
JOHN J. WHITE, JR.  
DAVID J. SEELEY  
JAMES E. HURT  
KEVIN S. HANSEN

PHILIP L. CARTER, P.S., OF COUNSEL  
ROBERT P. TIOSSEM, P.S., RET.

620 KIRKLAND WAY, SUITE 200  
POST OFFICE BOX 908  
KIRKLAND, WASHINGTON 98083-0908

PHONE: (425) 822-9281  
FAX: (425) 826-0908  
E-mail: [wwhite@lclaw.com](mailto:wwhite@lclaw.com)

GORDON A. LIVENGOOD  
1921-2001

June 26, 2002

Mr. Tim Eyman  
11913 - 59<sup>th</sup> Avenue West  
Mukilteo, WA 98275

Re: Legal Defense Fund Solicitation

Dear Tim:

I have reviewed the draft of the solicitation letter for the legal defense fund. The solicitation does not involve reporting to the Public Disclosure Commission, because it is from you, as an individual, not from a political committee. The disclaimer is also fine.

The only concern I have is the list of people to whom this were to be sent. If it is the PAC mailing list, in whole or part, you could again face a PDC charge that you have made "personal" use of a committee asset. The problem may be avoided by contacting Monte, Jack and Mike and renting the list from the committee. The transaction would be reflected on the PAC's filings with the PDC. Another possibility, would be to arrange with the committee to have use of the list as compensation for services that you render during the campaign to approve the initiative. This would also be reported, but not involve a cash outlay to rent the list. The value of the list would still be taxable income to you.

If you have any questions, please let me know.

Very truly yours,

LIVENGOOD, CARTER, TIOSSEM,  
FITZGERALD & ALSKOG

  
John J. White, Jr.

JJW:lw

cc: William J. Glueck  
✓ David Hawthorne

G:\JJW\Permanent Office\Syman ltr.01.wpd

EXHIBIT #17

1 of 1

**on June 30th,  
I rented the campaign's  
list for one-year's  
use for \$850.**